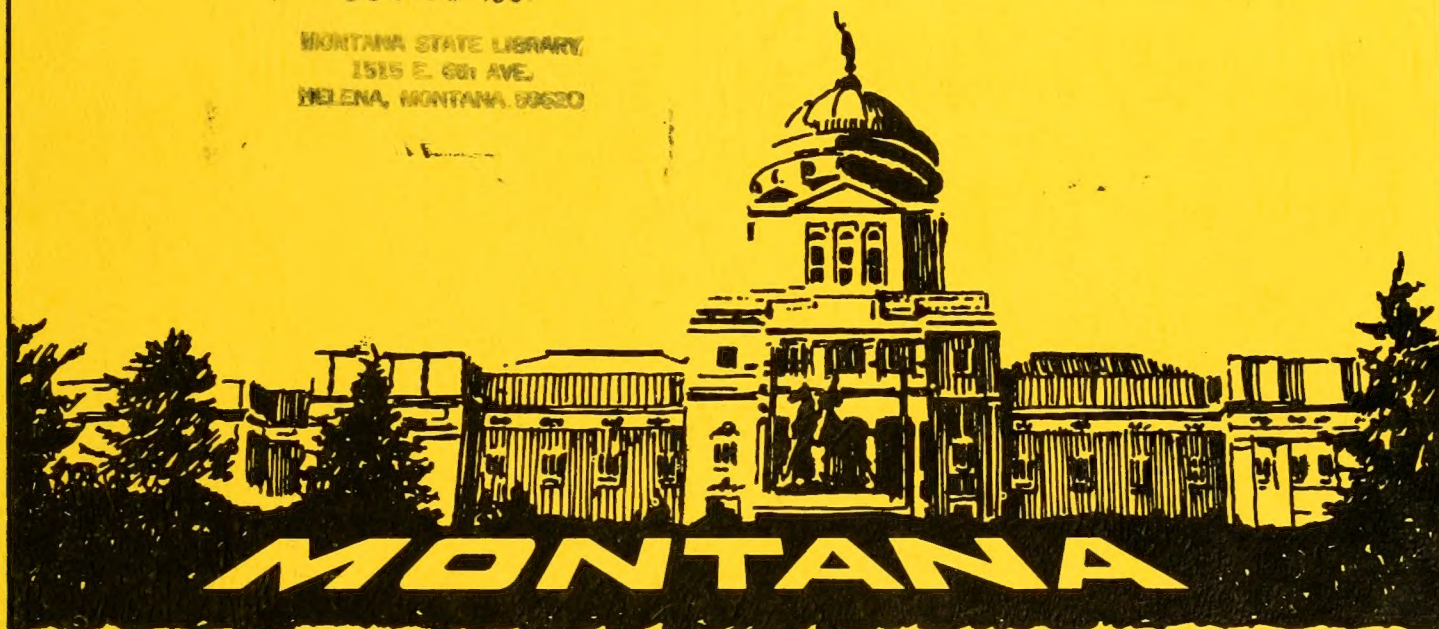


# APPROPRIATIONS REPORT 1989 BIENNIUM

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# **Appropriations Report**


## **1989 Biennium**

*Submitted by*

**The Office of the Legislative Fiscal Analyst**

**Helena, Montana**

**June 1987**



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JUDY RIPPINGALE  
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HELENA, MONTANA 59620  
406/444-2986

June, 1987

Members of the Fiftieth Legislature  
Members of the Legislative Finance Committee

In accordance with Section 5-12-302, MCA, and in keeping with the practice established in previous sessions, I am submitting the Appropriations Report for the 1989 biennium. The report represents an effort by our office to summarize important fiscal action and legislative policy developed during the 1987 session.

After summarizing the forecasted general fund balance and revenue, this report shows appropriations by agency. Increases from the previous biennium are detailed and major legislation affecting fiscal policy is outlined.

Respectfully submitted,

A handwritten signature in blue ink that reads "Judy Rippingale".

Judy Rippingale  
Legislative Fiscal Analyst





# APPROPRIATIONS REPORT

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GENERAL FUND APPROPRIATION SUMMARY  
1987 LEGISLATURE

Ongoing Appropriations		Fiscal 1987	Fiscal 1988	Fiscal 1989	1989 Biennium
HB 1	Feed Bill	\$4,317,534			
HB 2	General Approp. Act		\$361,564,348	\$362,751,670	\$724,316,018
HB 275	Linked Deposit Program		250,000	250,000	500,000
HB 277	Drinking Prevention Program		302,400	302,400	604,800
HB 434	Supplemental Appropriations	25,787,013			
HB 754	Water Court Decrees		600	600	1,200
HB 814	Meat Inspection Program		139,900	136,900	276,300
HB 870	Inst. Teachers Salaries		98,667	98,667	197,334
HB 871	Deaf & Blind School Salaries		23,029	23,029	46,058
HB 887	Counseling of Farmers		149,175	148,814	297,989
HB 888	Childcare Assistance		25,000	25,000	50,000
HB 904	Public School Support		443,000	24,093,000	24,536,000
Total Ongoing Appropriations		\$30,104,547	\$362,995,619	\$387,830,080	\$750,825,699
One-time Appropriations					
HB 20	Committee on Indian Affairs		\$2,250	\$2,250	\$4,500
HB 599	Yellow Bay Biological Station		50,000	50,000	100,000
HB 702	Legislative Reorganization		7,500	7,500	15,000
HB 716	Genetics Program		260,000	260,000	520,000
HB 787	MBA by Satellite at EMC		163,000		163,000
HB 861	Disclosure of Railroad Sale		250	250	500
HB 867	Super Collider Task Force	300,000			
HB 878	Yellowstone County Air Monitoring		25,000	25,000	50,000
Total One-time Appropriations		\$300,000	\$508,000	\$345,000	\$853,000
Total General Fund Appropriations		\$30,404,547	\$363,503,619	\$388,175,080	\$751,678,699

## COMPARISON OF GENERAL FUND REVENUE PROJECTIONS

When the Fiftieth Legislature convened, two sets of revenue projections were available to it: those presented by the executive and those prepared by the Office of the Legislative Fiscal Analyst. During the session, the LFA revised its forecast and the legislature developed its own forecast. Evolution of the revenue forecasts is discussed in this section.

With the remainder of its budget, the executive's revenue projections were made public December 3, 1986. The executive projected fiscal 1987 revenue totaling \$350.34 million and 1988 biennium revenue of \$738.33 million. These forecasts were based on current law as it existed prior to the legislative session and were derived from economic assumptions adopted by the Governor's Revenue Estimating Advisory Council. Underlying these forecasts were the assumptions of Montana personal income growth averaging 5 percent annually over the forecast period and a treasury cash balance available for investment of \$104.2 million in each fiscal year 1988 and 1989. The forecasts also assumed Montana crude oil prices would rise from an average of \$14.14 per barrel in 1987 to \$18.00 in 1988 and taxable coal production would total 21.0 million tons in 1988 and 20.3 million tons in 1989.

The Legislative Fiscal Analyst's general fund revenue projections released in January 1987 showed fiscal 1987 revenue of \$347.56 million and 1989 biennium revenue of \$747.95 million. Compared with the executive forecasts, the LFA figures were \$3.78 million lower for fiscal 1987 and \$10.12 million higher for the 1989 biennium. The LFA assumed non-farm labor income growth would increase from 3.2 percent in 1986 to 7.1 percent in 1989. Without forecasted farm income tax anticipation notes, the treasury cash balance was forecast to fall from an average of \$106.1 million in fiscal 1987 to \$103.0 million in fiscal 1989. The forecasts also assumed crude oil prices would average \$15 per barrel during the 1989 biennium and taxable coal production would decline from 30.2 million tons in fiscal 1987 to 25.0 million tons in fiscal 1989.

In March the LFA general fund revenue forecasts were revised and totalled \$346.45 million for fiscal 1987 and \$728.44 million for the 1989 biennium. Compared to the LFA original forecasts, the revised forecasts are \$1.11 million lower for fiscal 1987 and \$17.61 million lower for the 1989 biennium. The majority of the \$18.7 million total revision was made in individual income taxes where the forecasts were reduced a total of \$11.2 million to account for reductions in anticipated income and inflation levels. General fund revenue from the liquor excise tax and liquor profits were reduced \$4.3 million for the three years, reflecting the current policy of the Liquor Division in the Department of Revenue to maintain present price markups.

House Joint Resolution 41 was introduced in the Fiftieth Legislature with the intention that it would provide a vehicle for the establishment of legislative revenue projections. Joint rules of the legislature provided for the appointment of a joint subcommittee of the House and Senate Taxation Committees to consider the resolution. After hearings and deliberations, the subcommittee recommended a general fund revenue forecast of \$344.42 million for fiscal 1987 and \$728.61 million for the 1989 biennium. This recommendation was adopted by the full House Taxation Committee and the House. HJR 41 was heard by the full Senate Taxation Committee which never acted on the resolution.

Table 1 compares the fiscal 1987 LFA general fund revenue projections with those contained in HJR 41 as passed by the House and with the executive forecast.

Table 1  
Fiscal 1987 General Fund Revenue Forecasts  
(Millions)

	<u>Revenue</u>	<u>Amount Over LFA Forecast</u>
LFA	\$346.45	\$ -0-
House Joint Resolution 41	347.32	0.87
Executive	350.34	3.89

Table 2 shows 1989 biennium general fund revenue as forecasted by the LFA, House Joint Resolution 41, and the executive before the effects of legislation passed by the Fiftieth Legislature.

Table 2  
1989 Biennium General Fund Revenue Forecasts  
(Millions)

	<u>Revenue</u>	<u>Amount Over LFA Forecast</u>
LFA	\$729.44	\$ -0-
House Joint Resolution 41	738.61	9.17
Executive	736.33	6.89



# GENERAL FUND SUMMARY

Based on its revenue forecast, the Office of the Legislative Fiscal Analyst anticipates the general fund will end the 1987 biennium with a balance of \$11.02 million. The 1989 biennium ending fund balance is expected to be \$5.42 million with no allowance for possible supplemental appropriations. Table 1 shows derivation of these forecasts.

Table 1  
Projected General Fund Balance  
Fiscal Years 1987 through 1989  
(Millions)

	Fiscal 1987	Fiscal 1988	Fiscal 1989
Beginning Fund Balance, July 1			
General Fund Revenue	\$ 16.00	\$ 11.02	\$ 12.90
Prior Year Revenue Adjustments	351.79	372.64	393.53
Residual Equity Transfers	2.15	0.33	0.00
	41.61	0.89	0.46
Total Funds Available	\$411.55	\$384.88	\$406.89
Legislative Appropriations	\$387.17	\$363.50	\$388.18
Feed Bill	4.32	0.00	4.33
Long-term Debt Service	12.42	12.46	12.50
TRANS Interest and Issue Costs	4.26	2.50	2.92
Reversions			
Public Schools	(0.87)	0.00	0.00
Debt Service	(1.77)	(1.48)	(1.46)
Other	(5.00)	(5.00)	(5.00)
Total Disbursements	400.53	371.98	401.47
Ending Fund Balance, June 30	\$ 11.02	\$ 12.90	\$ 5.42

As Table 1 indicates, general fund revenue in each fiscal 1987 and 1989 is forecast to be less than that year's expenditures; in fiscal 1988, the excess of revenue over disbursements is less than \$1 million. Maintenance of a fund balance is possible because of transfers to the general fund from other accounts which total \$43.0 million over three years. In fiscal 1987 alone, the general fund receives \$35 million from the educational trust fund as authorized by House Bill 434. Because total funds available in the forecast period were augmented by one-time transfers, the general fund budget was balanced by means which cannot be relied on permanently.

# GENERAL FUND REVENUE PROJECTIONS

For the 1989 biennium, the Office of the Legislative Fiscal Analyst projects general fund revenue will total \$766.17 million. This projection includes the effects of all statutory changes enacted by the Fiftieth Legislature. Table 1 summarizes the revenue forecast by category and by fiscal year.

Table 1  
General Fund Revenue  
Fiscal Years 1986, 1987, 1988, and 1989  
(Thousands)

Category	Actual FY 1986	FY 1987	Projected FY 1988	FY 1989	1986-87	Percent Change 1987-88	1988-89
Individual Income Tax	\$110,218	\$118,050	\$125,105	\$138,848	7.1	6.0	11.0
Corporation License Tax	33,835	28,815	31,485	36,831	(15.0)	9.3	17.0
Coal Severance Tax	20,002	16,382	9,121	9,547	(18.1)	(44.3)	4.7
Oil Severance Tax	23,153	10,456	17,019	15,398	(34.8)	52.8	(6.6)
Interest on Investments	13,302	14,565	14,782	17,125	9.5	1.5	15.8
Bond Transfer	35,488	35,158	36,337	39,161	(0.9)	3.4	7.8
Coal Trust Fund Interest	38,527	39,181	36,124	39,541	1.7	(7.8)	5.5
Insurance Premiums Tax	16,780	18,559	32,745	22,982	10.8	76.4	(25.5)
Institutional Reimbursement	14,103	15,303	16,270	16,948	7.8	6.3	4.2
Liquor Profits	4,500	4,518	4,699	4,735	0.4	4.0	0.8
Liquor Excise Tax	5,837	5,725	5,632	5,431	(1.9)	(1.6)	(3.6)
Inheritance Tax	7,179	8,804	7,591	3,051	22.6	(13.8)	6.1
Metal Mines Tax	990	1,171	2,231	2,783	18.3	90.5	24.7
Electrical Energy Tax	2,530	2,039	2,669	2,647	12.2	(0.6)	(0.5)
Drivers' License Fees	796	812	1,161	1,181	2.1	42.8	1.7
Telephone License Tax	3,244	3,340	3,352	3,406	3.0	0.4	1.6
Beer License Tax	1,288	1,254	1,229	1,206	(2.6)	(2.0)	(1.5)
Natural Gas Severance Tax	2,891	2,387	1,238	1,157	(17.4)	(48.1)	(6.5)
Freight Line Tax	1,195	1,458	1,524	1,593	22.0	4.5	4.5
Wine Tax	946	1,028	1,070	1,048	8.7	4.1	(2.1)
Other Revenue	17,497	21,986	21,257	23,428	25.7	(3.3)	10.2
TOTAL	\$354,441	\$351,794	\$372,641	\$393,528	10.7	5.9	5.6

General fund revenue is forecast to increase \$59.93 million or 8.5 percent in the 1989 biennium compared with the 1987 biennium. The following revenue sources are major contributors to growth:

1. Individual income taxes deposited in the general fund increase \$35.7 million between the 1987 and 1989 biennia. Almost 85 percent of that increase or \$30.2 million is attributable to federal tax reform which broadens the base of Montana taxable income.
2. Insurance premium taxes are forecast to generate \$20.4 million more general fund revenue in the 1989 biennium than in the 1987 biennium. Through its requirement of quarterly, rather than annual, tax payments and other smaller changes, House Bill 880 is responsible for \$14.1 million of the increase in insurance taxes or more than two-thirds of the total.

The following sections discuss individual general fund revenue categories and the statutory changes in each.

### Individual Income Tax

General fund revenue from the individual income tax is forecast to total \$118.9 million in fiscal 1987, \$125.1 million in fiscal 1988, and \$138.9 million in fiscal 1989. Underlying these forecasts are the assumptions Montana non-farm labor income will grow 1.6 percent in 1986, 3.7 percent in 1987, 5.6 percent in 1988, and 6.3 percent in 1989. The growth rates are, in general, slightly higher than the forecasted increases in the consumer price index of 1.0 percent in 1986, 2.2 percent in 1987, 4.3 percent in 1988, and 5.3 percent in 1989. Due to the broadening of the taxable income base and the lowering of federal tax rates, the federal tax reforms enacted in 1986 are expected to increase total individual income tax revenue \$9.8 million in fiscal 1987, \$22.6 million in fiscal 1988, and \$39.8 million in fiscal 1989. Table 2 shows the revised LFA forecast of total revenue for the personal income tax, the effects of statutory changes made by the legislature, the post-session forecast which reflects the net effect of statutory changes, and the distribution of total individual income tax revenue.



Table 2  
Total Individual Income Tax

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised Total Tax Forecast	\$184,453,000	\$192,839,000	\$223,638,000
Effect of Statutory Changes			
HB 2 - Dept. of Revenue Auditors	-0-	3,000,000	3,000,000
HB409 - Dependent Care Expenses	-0-	(145,000)	(145,000)
HB904 - Income Tax Surtax	-0-	21,780,000	14,588,000
SB 22 - Capital Companies Credit	-0-	(530,000)	(522,000)
SB 74 - Exempt Retirement Benefits	-0-	(1,956,000)	(1,956,000)
SB240 - Employer Pick-up of Firefighters' Ret.	-0-	(31,000)	(32,000)
Total Changes	\$ -0-	\$ 22,118,000	\$ 14,933,000
Post-Session Total Tax Forecast	<u>\$184,453,000</u>	<u>\$214,957,000</u>	<u>\$238,571,000</u>
Distribution of Revenue:			
General Fund	\$118,050,000	\$125,105,000	\$138,848,000
School Equalization	46,113,000	68,356,000	75,866,000
Debt Service	20,290,000	21,496,000	23,857,000

Statutory changes affecting individual income tax revenue are contained in six bills passed by the legislature.

1. House Bill 2 - authorizes the employment of 13.0 FTE compliance and collection staff in the Income and Miscellaneous Tax Division of the Department of Revenue. Based on historic collection data, those employees are expected to generate \$3 million annually in additional total personal income tax revenue over that in our original forecast.

2. House Bill 409 - extends the deduction for dependent care expenses to those with less than full-time employment. By allowing part-time workers to take advantage of the deduction, total individual income tax revenue is expected to decline \$145,000 annually during the 1989 biennium.

3. House Bill 904 - revises the allocation of revenue from the individual income tax, exempts 40 percent of certain capital gains from taxation, and imposes a surtax on tax liabilities. With passage of the bill, the general fund's share of individual income tax revenue is reduced from 64 percent to 58.2 percent. The bill also excludes from adjusted gross income 40 percent of capital gains on the sale or exchange of capital assets before December 31, 1986. Finally,

House Bill 904 imposes a 10 percent surtax on tax liabilities for tax years beginning after December 31, 1986 and terminating December 31, 1989. Because the surtax applies to liabilities calculated when tax returns are filed by April 15 of each year, it is unclear whether the surtax applies to only 1987 and 1988 liabilities or extends to 1989 liabilities which will not be calculated until 1990. From its comments in the fiscal note, the Department of Revenue intends to interpret House Bill 904 as imposing a surtax on only 1987 and 1988 liabilities. The Legislative Council advises that that interpretation is within the department's rulemaking authority since the bill is unclear as to application of the surtax. Our forecasts assume the surtax applies for two years. While the net effect of the bill is a loss in general fund revenue for the 1989 biennium, total individual income tax revenue is expected to increase \$21,780,000 in fiscal 1988 and \$14,588,000 in fiscal 1989.

4. Senate Bill 22 - amends the Montana Capital Company Act by increasing the amount of credit an individual or corporation may claim and the total amount available to all individuals or corporations. With Senate Bill 22, an individual may claim as much as \$150,000 in credits, compared with \$25,000 under previous law, while the limit on credits for a single corporation was increased to \$1,500,000 from \$375,000. Total authorized credits for all taxpayers during the 1989 biennium are increased \$3,000,000. As a result of the changes made by Senate Bill 22, total individual income tax revenue is expected to decline \$530,000 in fiscal 1988 and \$522,000 in fiscal 1989.

5. Senate Bill 74 - exempts from taxation up to \$3,600 of public retirement benefits paid by another state and increases the exemption for private and corporate retirement benefits from \$360 to \$3,600. This expansion of the retirement benefits exclusion is anticipated to reduce total revenue from the individual income tax \$1,956,000 annually in the 1989 biennium.

6. Senate Bill 240 - requires employers to pick up the members' contributions to the Unified Firefighters' Retirement System. Through the resultant reduction in the members' taxable incomes, this legislation is forecast to reduce total revenue \$31,000 in fiscal 1988 and \$32,000 in fiscal 1989.

### Corporation License Tax

With the effects of legislation passed this year, general fund revenue from the corporation license tax is anticipated to total \$28.8 million in fiscal 1987, \$31.5 million in fiscal 1988, and \$36.8 million in fiscal 1989. Our forecasts are based on the assumptions that Montana tax collections will continue in their historic relationship to U. S. corporate profits before taxes and that corporate profits will increase 5.2 percent in 1986, 21.5 percent in 1987, and 14.7 percent in 1988. Enactment of federal tax reform last year is expected to increase total corporate tax collections by \$1.1 million in fiscal 1987, \$4.7 million in fiscal 1988, and \$6.2 million in fiscal 1989. Table 3 shows the effect legislation passed by the 50th Legislature is expected to have on total 1989 biennium revenue from the corporation license tax.



Table 3  
Corporation License Tax Revenue

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised Total Tax Forecast	\$49,312,000	\$53,709,000	\$63,580,000
Effect of Statutory Changes			
HB703 - Water's-edge Combination Method	\$ -0-	\$ -0-	\$ (642,000)
SB 22 - Capital Companies Credit	-0-	(795,000)	(783,000)
Total Changes	\$ -0-	\$ (795,000)	\$ (1,425,000)
Post-Session Total Tax Forecast	<u>\$49,312,000</u>	<u>\$52,914,000</u>	<u>\$62,155,000</u>
Distribution of Revenue			
General Fund	\$28,815,000	\$31,485,000	\$36,831,000
School Equalization	11,256,000	12,299,000	14,387,000
Debt Service	4,953,000	5,412,000	6,331,000
Local Governments	4,288,000	3,718,000	4,606,000

The two bills affecting corporation tax revenue passed by the legislature are discussed below.

1. House Bill 703 - allows corporations to elect the water's-edge worldwide combination method in apportioning income to Montana for tax purposes. For those corporations that use the water's-edge alternative, the corporate tax rate will be 7 percent of net income, rather than the 6.75 percent other corporations are assessed. In addition, House Bill 703 imposes a 4 percent surtax on 1988 tax year liabilities of all corporations. This legislation is expected to reduce revenue from the corporation license tax by \$642,000 in fiscal 1989.

2. Senate Bill 22 - amends the Montana Capital Company Act by increasing the credits which may be claimed by a single corporation and by all corporations as explained in the individual income tax section. Because all of the corporate credits are assumed to be taken by financial institutions and 80 percent of those taxes are distributed to local governments, most of the \$795,000 revenue loss in fiscal 1988 and \$783,000 in fiscal 1989 is borne by local governments.

### Coal Severance Tax

The post-session, coal tax projections are based upon taxable coal production of 27.2 million tons in fiscal 1988 and 27.9 million tons in fiscal 1989. The average contract sales price is projected to be \$7.51 in fiscal 1988 and \$7.63 in



fiscal 1989. Table 4 shows the general fund impact of statutory changes affecting coal severance tax collections and distribution.

Table 4  
General Fund Revenue from Coal Severance Tax

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$16,382,000	\$9,777,000	\$10,367,000
Effect of Statutory Changes			
HB252 - Coal Tax Rate Reduction	-0-	(42,000)	(169,000)
SB228 - Coal Trust Earnings Reallocation	-0-	(614,000)	(651,000)
Total Changes	-0-	(656,000)	(820,000)
Post-Session General Fund Forecast	<u>\$16,382,000</u>	<u>\$9,121,000</u>	<u>\$ 9,547,000</u>

Two bills passed by the Fiftieth Legislature affect coal severance tax revenue.

1. House Bill 252 - lowers the coal severance tax rate and extends the new production incentive tax credit through June 30, 1990. The coal severance tax rate will fall from 30 percent to 25 percent beginning in fiscal 1990. However, the bill sets up a mechanism for the tax rate to fall sooner if coal production exceeds 32.2 million tons from July 1, 1987 to June 30, 1988. If the 32.2 million ton target is met in fiscal 1988, the coal severance tax rate will fall to 25 percent in fiscal 1989. The estimates shown in Table 4 are based upon the assumption that the 32.2 million ton mark will not be met. We believe the coal market is too soft for new sales to be generated.

The extension of the new production incentive tax credit will serve to lower coal severance tax collections in two ways. House Bill 252 revises the definitions of "base production and consumption levels" to be the lesser of the calendar 1986 level or the 1983-1984 average and then extends the application of the incentive tax credit to incremental production through June 30, 1990. By broadening the definition of the base consumption and production levels and extending the "window of opportunity," an additional 705,000 tons will qualify for the tax credit in calendar 1987 and 565,500 tons in calendar 1988. Incremental production will be taxed at 15 percent in the next biennium, whether the coal is produced for spot sales, existing contracts, or new contracts. The fiscal impact of the changes in the new production incentive tax credit will be to decrease total coal tax collections by \$276,000 in fiscal 1988 and by \$1,104,800 in fiscal 1989. The general fund impact is 15.314 percent of the total impact.

2. Senate Bill 228 - changes the allocation of the coal severance tax for the 1989 biennium. The percentage of coal tax collections allocated to the general fund has been reduced from 16.34 percent to 15.314 percent. The coal tax deposit to the education trust fund is diverted to the public school equalization account as is a portion of the deposit to the local impact account. A new recipient of coal severance taxes is the Montana Growth Through Agriculture Program. Table 5 below shows the distribution of the coal severance tax in the 1989 biennium, using post-session revenue estimates.

**Table 5**  
**Coal Severance Tax Allocations**  
**1989 Biennium**

<u>Category</u>	<u>Fiscal 1988</u> <u>Percent</u> <u>Allocation</u>	<u>Projected</u> <u>Fiscal 1988</u>	<u>Fiscal 1989</u> <u>Percent</u> <u>Allocation</u>	<u>Projected</u> <u>Fiscal 1989</u>	<u>1989</u> <u>Biennium</u>
Constitutional Trust	50.000	\$29,780,802	50.000	\$31,171,917	\$60,952,719
Public School Equalization	16.796	10,003,967	16.796	10,471,270	20,475,237
General Fund	15.314	9,121,264	15.314	9,547,335	18,668,599
Highway Reconstruction Trust	12.000	7,147,392	12.000	7,481,260	14,628,652
Alternative Energy	1.710	1,018,503	1.710	1,066,080	2,084,583
Local Impact	1.520	905,336	1.520	947,626	1,852,962
Education Trust	0.000	-0-	0.000	-0-	-0-
Parks Acquisition Trust	0.000	-0-	0.000	-0-	-0-
Renewable Resources Development	0.475	282,918	0.475	296,133	579,051
Water Development	0.475	282,918	0.475	296,133	579,051
County Land Planning	0.380	226,334	0.380	236,907	463,241
Library Commission	0.380	226,334	0.380	236,907	463,241
Conservation Districts	0.190	113,167	0.190	118,453	231,620
Montana Growth Through Agriculture Act	0.760	452,668	0.760	473,813	926,461
<b>Total</b>	<u>100.000</u>	<u>\$59,561,603</u>	<u>100.000</u>	<u>\$62,343,834</u>	<u>\$121,905,437</u>

### Oil Severance Tax

General fund revenue from the oil severance tax is forecast to total \$10.5 million in fiscal 1987, \$17.0 million in fiscal 1988, and \$15.9 million in fiscal 1989. Because House Bill 776 has a significant effect on taxable production, the assumptions used in deriving our forecast are discussed with that bill. As Table 6 shows, statutory changes made by the legislature increased general fund revenue from the oil severance tax a total of \$8.2 million for the 1989 biennium.



Table 6  
General Fund Revenue From the Oil Severance Tax

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$10,456,000	\$12,701,000	\$12,052,000
Effect of Statutory Changes			
SB200 - Oil Tax Reallocation	-0-	6,414,000	6,318,000
HB776 - Oil Tax Reductions & Exemptions	-0-	(2,096,000)	(2,472,000)
Total Changes	\$ -0-	4,318,000	3,846,000
Post-Session General Fund Forecast	<u>\$10,456,000</u>	<u>\$17,019,000</u>	<u>\$15,898,000</u>

Two bills were enacted by the legislature in 1987 which affect revenue from the oil severance tax.

1. Senate Bill 200 - eliminates the requirement that one-third of oil severance taxes be allocated to the local government block grant account. In doing so, the share of total taxes deposited in the general fund increases, generating additional general fund of \$6,414,000 in fiscal 1988 and \$6,318,000 in fiscal 1989.

2. House Bill 776 - exempts the value of "new" production for two years and of the first five barrels of daily production by stripper wells from the oil severance tax. In addition, the value of daily production between five and ten barrels is subject to a tax rate of 3 percent, rather than the 5 percent rate placed on production from non-stripper wells. The exemption for "new" production terminates when the Governor certifies that the price of West Texas intermediate crude oil has reached \$25 a barrel. When the Governor certifies that the price of West Texas intermediate has reached \$30 a barrel, the exemption and reduced rate on stripper production are ended. The combined impact on the general fund of the exemptions and rate reductions with Senate Bill 200 enacted is a revenue loss of \$2,096,000 in fiscal 1988 and a loss of \$2,472,000 for fiscal 1989. Table 7 shows the price and taxable production assumptions used in deriving our forecasts.



Table 7  
Forecasts of Crude Oil Price and Taxable Production Before and After Passage of House Bill 776

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Average Montana Price	\$12.24	\$15.00	\$15.00
Taxable Production Before HB776 (Barrels)	26,798,000	25,655,000	25,271,000
Taxable Production After HB776 (Barrels)	26,798,000	22,938,000	22,050,000

As Table 7 shows, the reduction in taxable production due to passage of House Bill 776 is equal to 10.7 percent of the fiscal 1988 total and 12.7 percent of the fiscal 1989 total. The reduced tax rate on stripper production applies to an estimated 1.5 percent of the original taxable production each year.

#### Interest on Investments

General fund revenue from interest on investments is expected to total \$14.6 million for fiscal 1987, \$14.8 million for fiscal 1988, and \$17.1 million for fiscal 1989. As Table 8 indicates, that forecast was increased \$2.8 million for the 1989 biennium to reflect legislation passed by the regular session.

Table 8  
General Fund Revenue From Interest on Investments

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$14,565,000	\$13,873,000	\$15,218,000
Effect of Statutory Changes			
HB136 - Fuel Tax Increases	\$ -0-	\$ 757,000	\$ 1,749,000
HB248 - Board of Investment Costs	-0-	50,000	50,000
HB880 - Acceleration of Insurance Taxes	-0-	103,000	108,000
SB147 - County Collection of State Revenue	-0-	(1,000)	-0-
Total Changes	\$ -0-	\$ 909,000	\$ 1,907,000
Post-Session General Fund Forecast	<u>\$14,565,000</u>	<u>\$14,782,000</u>	<u>\$17,125,000</u>

Because two of the bills enacted by the legislature increased the average balance available for investment, the assumptions underlying our forecast of interest revenue are discussed after statutory changes.

1. House Bill 136 - increases gasoline and diesel fuel taxes 3 cents per gallon effective July 1, 1987. Because the balance in the highways state special revenue account earns interest which is deposited in the general fund, this tax increase is expected to increase interest on investments \$757,000 in fiscal 1988 and \$1,749,000 in fiscal 1989.
2. House Bill 248 - requires that the Board of Investments deduct the cost of providing services to state special revenue funds from the interest earnings of those funds rather than from the general fund. By reducing costs borne by the general fund, interest on investments will be increased \$50,000 each year of the 1989 biennium.
3. House Bill 880 - mandates the quarterly payment of insurance premiums taxes. The acceleration of tax collections compared with the current annual payments is expected to raise the average balance available for investment and, consequently, increase interest on investment revenue \$103,000 in fiscal 1988 and \$108,000 in fiscal 1989.
4. Senate Bill 147 - directs counties to forward state tax revenue to the state by the 20th day of each month in place of the 5th day deadline now in place. The change is anticipated to cause a one-time revenue loss of \$1,000 in fiscal 1988.

Both House Bill 136 and House Bill 880 increase the forecasted balance available to earn interest for the general fund. Table 9 shows the average interest rates and the balances available for investment before the effects of statutory changes and the increases attributable to those two bills.

Table 9 Average Interest Rates and Balances Available for Investment			
	Fiscal 1987	Fiscal 1988	Fiscal 1989
Average Interest Rate	5.97%	6.72%	7.63%
LFA Revised Balance Before			
Statutory Changes	\$243,964,000	\$206,450,000	\$199,450,000
Increase due to HB136	-0-	11,269,000	22,917,000
Increase due to HB880	-0-	1,538,000	1,421,000
Post-Session Balance	<u>\$243,964,000</u>	<u>\$219,257,000</u>	<u>\$223,788,000</u>

Included in the fiscal 1987 average balance are proceeds from the sale of \$83,200,000 in tax anticipation notes. In each fiscal 1988 and 1989, the sale of tax anticipation notes is forecast to total only \$46,000,000. That drop accounts

for the decline in the average balance available for investment. Due to passage of both House Bill 136 and House Bill 880, the post-session balance is \$12.8 million higher in fiscal 1988 and \$24.3 million higher in fiscal 1989 than the forecasts before statutory changes.

### Bond Transfer

The bond transfer to the general fund is made from the long-range building program debt service account and is equal to the balance in the account in excess of that which must be held for future principal and interest payments. Since funds for principal and interest payments come from a general fund appropriation, all revenue deposited in the debt service account is available for transfer to the general fund. The debt service account receives revenue from the individual income tax, the corporation license tax, the cigarette tax, and the tobacco products tax. General fund revenue from the bond transfer is anticipated to total \$35.2 million in fiscal 1987, \$36.3 million in fiscal 1988, and \$39.2 million in fiscal 1989. As Table 10 shows, statutory changes made by the legislature reduce revenue from the bond transfer \$0.6 million for the 1989 biennium.

Table 10  
Bond Transfer Revenue

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$35,158,000	\$36,070,000	\$40,005,000
Effect of Statutory Changes			
HB 2 - Dept of Revenue Auditors	-0-	300,000	300,000
HB409 - Dependent Care Expenses	-0-	(14,000)	(14,000)
HB703 - Waters'-Edge Combination Method	-0-	-0-	(85,000)
HB904 - Income Tax Surtax	-0-	250,000	(777,000)
SB 22 - Capital Companies Credit	-0-	(70,000)	(69,000)
SB 74 - Retirement Benefits Exemption	-0-	(196,000)	(196,000)
SB240 - Employer Pick-up of Firefighters' Ret	-0-	(3,000)	(3,000)
Total Changes	\$ -0-	\$ 267,000	\$ (844,000)
Post-Session General Fund Forecast	<u>\$35,158,000</u>	<u>\$36,337,000</u>	<u>\$39,161,000</u>

Each of the bills which affects individual income or corporate license taxes changes revenue to the debt service account and, consequently, the bond transfer to the general fund. Because those bills are discussed in the preceding sections, the explanations of the statutory changes are not repeated here.



## Coal Trust Fund Interest

Table 11 shows the general fund impact of the statutory changes affecting the interest earnings on the coal tax trust fund. Legislation was passed which altered both the earnings on the trust and the distribution of those earnings.

Table 11  
General Fund Revenue from Coal Trust Interest

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$33,843,500	\$32,644,000	\$36,129,000
Effect of Statutory Changes			
HB 7 - Coal Severance Tax Loan Program	-0-	(4,550)	(19,450)
HB 252 - Coal Tax Rate Reduction	-0-	(6,100)	(39,350)
SB 140 - 2% of In-State Earnings as Loan Reserve	-0-	(69,400)	(87,500)
SB 228 - Coal Trust Earnings Reallocation	5,337,500	3,560,050	3,558,300
Total Changes	5,337,500	3,480,000	3,412,000
Post-Session General Fund Forecast	<u>\$39,181,000</u>	<u>\$36,124,000</u>	<u>\$39,541,000</u>

The following bills passed by the 1987 legislature affect general fund revenue from coal trust interest.

1. House Bill 7 - authorizes \$46.0 million of new coal severance tax loans for water development. Five of these loans, totaling \$13.15 million, were approved with an interest subsidy from the permanent coal trust fund. Based on the Department of Natural Resources and Conservation's estimate of when the loans will be made, the interest subsidy is projected to increase by \$127,000 each year of the 1989 biennium. The resultant loss of interest earnings to the general fund is \$24,000 for the biennium.
2. House Bill 252 - reduces the coal severance tax rate and extends the new production incentive tax credit. The deposit to the coal tax trust fund will decline by \$138,000 in fiscal 1988 and \$552,400 in fiscal 1989 as a result of House Bill 252; interest earnings to the general fund will be reduced by an estimated \$45,450 for the biennium.
3. Senate Bill 140 - allows the Montana Economic Development Board to deposit up to 2 percent of the interest on loans, made from the in-state investment fund, to a loan loss reserve. The interest earned on the loan loss reserve account will remain in the reserve account. If the board is able to get the fund fully loaned out, as is its goal, and

deposits the full 2 percent to the loan loss reserve instead of the general fund, the general fund loss would be \$156,900 over the biennium.

4. Senate Bill 228 - reallocates the interest earnings from the coal tax trust fund. In fiscal 1987, 100 percent of the coal trust earnings will be deposited to the general fund. Our revenue estimates assume that all of the interest earned in May and June of 1987 will be deposited to the general fund, and that the remainder of the funds needed to equal 100 percent of the earnings will be taken from the fund at fiscal year end. In fiscal years 1988 and 1989, the general fund will receive 98 percent of the earnings from the permanent trust and 96 percent of the earnings from the in-state investment fund. Two percent of the earnings from each fund will be redeposited to the respective fund and, in accordance with Senate Bill 140, 2 percent of the in-state investment fund earnings will go to a loan loss reserve. Earnings to the general fund will increase by an estimated \$7.1 million in the 1989 biennium. However, the total earnings on the trust will decline by \$3.54 million because only 2 percent of the earnings will be redeposited compared to the 15 percent that has been redeposited in the past.

#### Insurance Premiums Tax

General fund revenue from insurance premiums taxes is expected to total \$18.6 million in fiscal 1987, \$32.7 million in fiscal 1988, and \$23.0 million in fiscal 1989. The jump in revenue for fiscal 1988 is a one-time gain attributable to passage of House Bill 880 which mandates the quarterly collection of taxes. Apart from statutory changes, total insurance premiums taxes are forecast to grow 8.0 percent in fiscal 1988, 6.6 percent in fiscal 1988, and 8.1 percent in fiscal 1989. General fund revenue from the taxes are reduced by payments to pension funds which are anticipated to increase 9.6 percent in fiscal 1987 and 4.2 percent in each fiscal 1988 and 1989. As Table 12 shows, legislation passed by the regular session increased general fund revenue from insurance taxes \$14.1 million over the three-year forecast period.



Table 12  
General Fund Revenue From the Insurance Premiums Tax

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$18,555,000	\$19,837,000	\$21,727,000
Effect of Statutory Changes			
HB 2 - General Appropriations Act	-0-	(58,000)	(44,000)
HB372 - Insurance Fee Increase	4,000	117,000	117,000
HB439 - Regulation of Risk Retention & Purchasing Groups	-0-	88,000	88,000
HB716 - Genetics Fee	-0-	268,000	268,000
HB880 - Acceleration of Insurance Taxes	-0-	12,493,000	807,000
Total Changes	4,000	12,908,000	1,236,000
Post-Session General Fund Forecast	<u>\$18,559,000</u>	<u>\$32,745,000</u>	<u>\$22,963,000</u>

Five bills enacted by the Fiftieth Legislature affect revenue from insurance premiums taxes.

1. House Bill 2 - appropriated \$820,974 in fiscal 1988 and \$806,506 in fiscal 1989 from the insurance regulatory account for operation of the Insurance Division in the State Auditor's Office. Included in those appropriations are \$116,127 in fiscal 1988 and \$112,442 in fiscal 1989 contingent on passage of House Bill 372. The Insurance Division is supported by appropriations from the insurance regulatory account, with revenue to the account in excess of expenditures transferred to the general fund at fiscal year-end. Because the total amounts appropriated in House Bill 2 exceed our estimate of the appropriations and because the fiscal year-end excess in the account over expenditures is transferred to the general fund, our estimates of revenue from the transfers are lowered \$58,000 for fiscal 1988 and \$44,000 for fiscal 1989.
2. House Bill 372 - increases many of the fees assessed insurance companies by the State Auditor's Office effective May 1, 1987. As a result of the higher charges, general fund revenue is expected to increase \$4,000 in fiscal 1987 and \$117,000 each year of the 1989 biennium. However, this additional revenue does not represent a significant net gain for the general fund because most of it is appropriated in House Bill 2.
3. House Bill 439 - provides for the regulation of risk retention and purchasing groups. Making these two types of groups subject to application and filing fees is projected to raise \$88,000 of additional general fund revenue each year of the 1989 biennium.



4. House Bill 716 - imposes an annual fee on health insurers of 35 cents for each Montana resident covered. Also in House Bill 716 is a biennial appropriation of \$520,000 to fund a voluntary statewide genetics program. The fee is expected to generate annual revenue of \$268,000, slightly more than the amounts appropriated. The fee is scheduled to terminate June 30, 1989.

5. House Bill 880 - affects insurance premiums tax revenue in three ways. First, the bill increases the tax rate for domestic insurers to that on nondomestic insurers, generating \$137,000 of revenue in fiscal 1988 and \$145,000 in fiscal 1989. Second, the bill mandates the quarterly payment of insurance premium taxes in place of the current annual payment. Switching to quarterly payments allows more than one year's revenue to be collected the first year, resulting in a one-time gain of \$12,374,000 in fiscal 1988. Acceleration of collections from a growing tax source causes fiscal 1989 revenue to be higher than it would be under current law, causing a \$679,000 gain that year. Third, House Bill 880 appropriates \$18,208 for fiscal 1988 and \$17,108 for fiscal 1989 from the insurance regulatory account. These appropriations reduce general fund revenue by the same amounts due to the reduced fiscal year-end transfers, as explained earlier.

### Institutional Reimbursement

The forecasts of public institutions reimbursement are unchanged by legislative action of the regular session and total \$15.3 million for fiscal 1987, \$16.3 million for fiscal 1988, and \$16.9 million for fiscal 1989, as shown in Table 13.

Table 13  
General Fund Revenue From Institutional Reimbursement

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$15,305,000	\$16,270,000	\$16,948,000
Effect of Statutory Changes	-0-	-0-	-0-
Post-Session General Fund Forecast	<u>\$15,305,000</u>	<u>\$16,270,000</u>	<u>\$16,948,000</u>

More than 80 percent of total institutional reimbursement is derived from medicaid. Medicaid reimbursement is forecast to increase 8.2 percent in fiscal 1987, 6.6 percent in fiscal 1988, and 3.8 percent in fiscal 1989, consistent with the appropriation to the Department of Social and Rehabilitation Services.

## Liquor Profits

Liquor profits deposited in the general fund are expected to total \$4.5 million in fiscal 1987, \$4.7 million in fiscal 1988, and \$4.7 million in fiscal 1989. As shown in Table 14, statutory changes made by the legislature decrease expected general fund revenue \$0.4 million.

Table 14  
General Fund Revenue From Liquor Profits

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$4,518,000	\$4,803,000	\$4,987,000
Effect of Statutory Changes			
HB 21 - Raise Legal Drinking Age	-0-	-0-	(80,000)
HB623 - Restriction on Liquor Store Closure	-0-	(104,000)	(172,000)
Total Changes	\$ -0-	\$ (104,000)	\$ (252,000)
Post-Session General Fund Forecast	<u>\$4,518,000</u>	<u>\$4,699,000</u>	<u>\$4,735,000</u>

Two bills passed by the regular session lower forecasted revenue from liquor profits.

1. House Bill 21 - raises the legal drinking age from 19 to 21 years while allowing those 19 and older on April 1, 1987 to continue drinking. The resulting reduction in liquor consumption is expected to decrease general fund revenue from liquor profits \$80,000 in fiscal 1989.
2. House Bill 623 - limits the closure, conversion, or sale of state liquor stores to those operating with less than 10 percent profits, unless the Department of Revenue receives legislative approval for the closure or sale. Compared with the previous conversion policy, the restrictions in House Bill 623 are expected to result in \$104,000 less liquor profits in fiscal 1988 and \$172,000 less in fiscal 1989.

## Liquor Excise Tax

With the effects of legislative changes, revenue from the liquor excise tax is forecast to total \$5.7 million in fiscal 1987, \$5.6 million in fiscal 1988, and \$5.4 million in fiscal 1989. Declining revenue is the result of increases in the average price of liquor failing to compensate for falling unit sales. With the decline attributable to raising the legal drinking age, unit liquor sales are anticipated to fall 7.5 percent in fiscal 1987, 5.0 percent in fiscal 1988, and 7.0 percent in fiscal 1989. Average prices are assumed to increase only 3.5 percent annually during the 1989 biennium.

As Table 15 indicates, legislation passed by the regular session is expected to reduce general fund revenue \$0.1 million during the 1989 biennium.

Table 15  
General Fund Revenue From the Liquor Excise Tax

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast			
Effect of Statutory Changes	\$5,725,000	\$5,632,000	\$5,540,000
HB21 - Raise Legal Drinking Age	-0-	-0-	(109,000)
Post-Session General Fund Forecast	<u>\$5,725,000</u>	<u>\$5,632,000</u>	<u>\$5,431,000</u>

House Bill 21, the only statutory change affecting liquor taxes, raises the legal drinking age as explained above and is forecast to reduce revenue from the liquor excise tax \$109,000 in fiscal 1989.

#### Inheritance Tax

Inheritance taxes are expected to generate \$8.8 million of revenue in fiscal 1987, \$7.6 million in fiscal 1988, and \$8.1 million in fiscal 1989. Fiscal 1987 revenue is bolstered by collection of taxes on a single large estate which was forecast to total \$1.5 million. During the 1989 biennium, revenue is anticipated to increase with inflation and grow at an average annual rate of 5 percent. Table 16 shows the effect of statutory changes on inheritance tax revenue.

Table 16  
General Fund Revenue From the Inheritance Tax

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast			
Effect of Statutory Changes	\$8,804,000	\$7,704,000	\$8,051,000
SB26 - In-kind Payment for Moss Mansion	-0-	(113,000)	-0-
Post-Session General Fund Forecast	<u>\$8,804,000</u>	<u>\$7,591,000</u>	<u>\$8,051,000</u>



Senate Bill 26 - requires the state to accept, as in-kind payment of inheritance and estate taxes, an ownership interest in the Moss Mansion in Billings. The in-kind payment will reduce inheritance tax revenue \$113,000 in fiscal 1988.

**Metal Mines Tax**

General fund revenue from the metal mines tax is forecast to total \$1.2 million in fiscal 1987, \$2.2 million in fiscal 1988, and \$2.8 million in fiscal 1989. Underlying those forecasts are gold prices averaging \$400 per ounce in the 1989 biennium, silver prices of \$6 an ounce, and production from three new mines, Montana Resources, the Stillwater mine, and Montana Tunnels, during the forecast period. No production increases are assumed for other mines operating in the state. As Table 17 indicates, there were no statutory changes affecting metal mines taxes made by the 50th Legislature.

Table 17  
General Fund Revenue From the Metal Mines Tax

	Fiscal 1987	Fiscal 1988	Fiscal 1989
LFA Revised General Fund Forecast			
Effect of Statutory Changes	\$1,171,000	\$2,231,000	\$2,783,000
	-0-	-0-	-0-
Post-Session General Fund Forecast	\$1,171,000	\$2,231,000	\$2,783,000
	<u>1,171,000</u>	<u>2,231,000</u>	<u>2,783,000</u>

**Electrical Energy Tax Revenue**

The tax on electrical energy production is expected to generate \$2.8 million of revenue in fiscal 1987, \$2.7 million in fiscal 1988, and \$2.6 million in fiscal 1989. Very little change in the level of electrical energy production is anticipated during the forecast period. Although the legislature passed House Bill 231 which raised the limit on the interest differential tax credit from \$500,000 annually per corporation to \$750,000, that bill is not expected to affect revenue in the 1989 biennium as shown in Table 18.

Table 18  
General Fund Revenue From the Electrical Energy Tax

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$2,839,000	\$2,669,000	\$2,647,000
Effect of Statutory Changes	-0-	-0-	-0-
Post-Session General Fund Forecast	<u>\$2,839,000</u>	<u>\$2,669,000</u>	<u>\$2,647,000</u>

Drivers' License Fees

With the effects of legislation passed in the regular session, general fund revenue from drivers' license fees is expected to total \$0.8 million in fiscal 1987, \$1.2 million in fiscal 1988, and \$1.2 million in fiscal 1989. As Table 19 indicates, without statutory changes there would have been no growth in revenue from drivers' licenses.

Table 19  
General Fund Revenue From Drivers' License Fees

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$813,000	\$ 800,000	\$ 800,000
Effect of Statutory Changes			
HB277 - \$50 License Reinstatement Fee	-0-	302,000	302,000
SB181 - \$25 License Reinstatement Fee	-0-	59,000	79,000
Total Changes	\$ -0-	\$ 361,000	\$ 381,000
Post-Session General Fund Forecast	<u>\$813,000</u>	<u>\$1,161,000</u>	<u>\$1,181,000</u>

Two bills enacted by the Fiftieth Legislature affect drivers' license revenue.

1. House Bill 277 - imposes an additional \$50 fee for reinstatement of a drivers' license after it has been suspended or revoked. Each year of the 1989 biennium, this new fee is forecast to raise \$302,000 of revenue. House Bill 277 also authorizes the distribution of funds generated by the fee to counties for drinking and driving prevention programs. Thus, passage of the bill has no net effect on the general fund.

2. Senate Bill 181 - assesses a \$25 drivers' license reinstatement fee on those whose licenses are suspended for failure to appear in court or to pay a fine. General fund revenue from the fee is forecast to equal \$59,000 in fiscal 1988 and \$79,000 in fiscal 1989.

**Telephone License Tax**

Revenue from the license tax on telephone companies is forecast to generate \$3.3 million in fiscal 1987 and \$3.4 million each year of the 1989 biennium. Because modest rate increases expected for Mountain Bell are largely offset by reductions currently scheduled for AT&T, revenue changes little over the forecast period. As Table 20 shows, there were no statutory changes affecting revenue from the telephone license tax.

Table 20			
General Fund Revenue From the Telephone License Tax			
	Fiscal 1987	Fiscal 1988	Fiscal 1989
LFA Revised General Fund Forecast	\$3,340,000	\$3,352,000	\$3,406,000
Effect of Statutory Changes	-0-	-0-	-0-
Post-Session General Fund Forecast	<u>\$3,340,000</u>	<u>\$3,352,000</u>	<u>\$3,406,000</u>

**Beer License Tax Revenue**

With the effects of legislation passed by the regular session, general fund revenue from the beer tax is anticipated to total \$1.3 million in fiscal 1987 and \$1.2 million each year of the 1989 biennium. Table 21 shows the fiscal 1989 reduction in forecasted revenue attributable to statutory changes.



Table 21  
General Fund Revenue From the Beer License Tax

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast			
Effect of Statutory Changes	\$1,254,000	\$1,229,000	\$1,229,000
HB21 - Raise Legal Drinking Age	-0-	-0-	(23,000)
Post-Session General Fund Forecast	<u>\$1,254,000</u>	<u>\$1,229,000</u>	<u>\$1,206,000</u>

House Bill 21, as explained earlier, raised the legal drinking age from 19 to 21 years and is expected to lower general fund revenue from the beer tax \$23,000 in fiscal 1989.

#### Natural Gas Severance Tax

During the forecast period, revenue from the natural gas severance tax is expected to fall from \$2.4 million in fiscal 1987 to \$1.2 million in each year of the 1989 biennium. As Table 22 indicates, most of the decline is due to legislation passed by the Fiftieth Legislature.

Table 22  
General Fund Revenue From the Natural Gas Severance Tax

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast			
Effect of Statutory Changes	\$2,387,000	\$2,081,000	\$1,992,000
HB776 - Gas Tax Reduction and Exemption	-0-	(843,000)	(835,000)
Post-Session General Fund Forecast	<u>\$2,387,000</u>	<u>\$1,238,000</u>	<u>\$1,157,000</u>

House Bill 776 - provides a two-year tax exemption for "new" production of natural gas and exempts the first 30,000 cubic feet of production from stripper wells. In addition, production between 30,000 and 60,000 cubic feet from stripper wells is taxed at 1.59 percent, two-thirds the tax rate on non-stripper production. The exemption for "new"

production terminates when the Governor certifies that the price of West Texas intermediate has reached \$25 a barrel. These changes in the severance tax on natural gas are expected to reduce general fund revenue \$843,000 in fiscal 1988 and \$835,000 in fiscal 1989. Table 23 shows our forecasts of the average price for Montana natural gas and of taxable production before and after passage of House Bill 776.

Table 23			
Forecasts of Natural Gas Price and Taxable Production Before and After Passage of House Bill 776			
	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Average Montana Price	\$2.12	\$2.12	\$2.12
Taxable Production Before HB776 (Mcf's)	39,166,000	37,040,000	34,215,000
Taxable Production After HB776 (Mcf's)	39,166,000	23,178,000	20,413,000

As a result of the exemptions granted in the bill, taxable production in the state is forecast to fall 37.4 percent in fiscal 1988 and 40.3 percent in fiscal 1989 compared with our original forecasts. In addition, an estimated 8.1 percent of each year's production will be taxed at the 1.59 percent reduced rate.

**Freight Line Tax**

Revenue from the freight line tax is forecast to total \$1.5 million in fiscal 1987 and 1988 and \$1.6 million in fiscal 1989. Since tax collections are dependent on the gross earnings of freight line companies, collections are assumed to rise with the rate of inflation. Table 24 shows that the regular session enacted no legislation affecting the freight line tax.

Table 24			
General Fund Revenue From the Freight Line Tax			
	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$1,458,000	\$1,524,000	\$1,593,000
Effect of Statutory Changes	-0-	-0-	-0-
Post-Session General Fund Forecast	<u>\$1,458,000</u>	<u>\$1,524,000</u>	<u>\$1,593,000</u>

## Wine Tax

The wine tax is anticipated to generate \$1.0 million of general fund revenue in fiscal 1987, \$1.1 million in fiscal 1988, and \$1.0 million in fiscal 1989. Since the general fund receives 16 cents of the tax on each liter sold, collections vary with volume sales. The volume sold is expected to increase 8.7 percent in fiscal 1987, gain another 4.0 percent in fiscal 1988, and decline 2.0 percent in fiscal 1989. As Table 25 shows, the drop in fiscal 1989 revenue is due to recently-enacted legislation.

Table 25  
General Fund Revenue From the Wine Tax

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
LFA Revised General Fund Forecast	\$1,028,000	\$1,070,000	\$1,070,000
Effect of Statutory Changes			
HB21 - Raise Legal Drinking Age	-0-	-0-	(22,000)
Post-Session General Fund Forecast	<u>\$1,028,000</u>	<u>\$1,070,000</u>	<u>\$1,048,000</u>

House Bill 21, as discussed previously, raises the legal drinking age from 19 to 21 years and reduces anticipated general fund revenue from the wine tax by \$22,000 in fiscal 1989.

## Other Revenue Sources

In addition to the 20 categories discussed above, more than 100 other types of taxes, fees, and other revenue sources contribute revenue to the general fund. Major components of the category in the 1989 biennium will be the tax on net income from video poker and keno machines, district court fees from vehicle taxes, and revenue from investment licenses and permits issued by the State Auditor's Office. As Table 26 shows, general fund revenue from other sources is forecast to total \$22.0 million in fiscal 1987, \$21.3 million in fiscal 1988, and \$23.4 million in fiscal 1989. Statutory changes made by the legislature increased 1989 biennium revenue \$11.6 million.



Table 26  
General Fund Revenue From Other Sources

	Fiscal 1987	Fiscal 1988	Fiscal 1989
LFA Revised General Fund Forecast	\$21,986,000	\$15,929,000	\$17,142,000
Effect of Statutory Changes			
HB141 - Motion for Judge Substitution Fee	-0-	12,000	12,000
HB460 - Dissolution of Marriage Fee	-0-	271,000	271,000
HB461 - Apiary Registration/Inspection Fees	-0-	19,000	19,000
HB583 - PSC Fees	-0-	1,769,000	1,680,000
HB837 - Secretary of State Fees	-0-	(189,000)	(188,000)
HB863 - Video Poker/Keno Income Tax	-0-	954,000	1,902,000
HB864 - Agriculture License Fees	-0-	80,000	80,000
SB200 - District Court Fee	-0-	2,310,000	2,398,000
SB246 - Certificate of Need Application Fees	-0-	86,000	86,000
Other Bills - Net	-0-	16,000	26,000
Total Changes	\$ -0-	\$ 5,328,000	\$ 6,286,000
Post-Session General Fund Forecast	<u>\$21,986,000</u>	<u>\$21,257,000</u>	<u>\$23,428,000</u>

A total of 20 bills were passed by the regular session which are expected to affect general fund revenue from other sources. The following paragraphs discuss the major bills in this category.

1. House Bill 141 - establishes a \$100 fee for filing a motion for substitution of a district court judge. Revenue generated by the fees is expected to total \$12,000 each year of the 1989 biennium.
2. House Bill 460 - raises the fee for filing for dissolution of marriage from \$30 to \$100; \$75 of each fee collected, up from \$25 under previous law, is deposited in the state's general fund. Based on a four-year average for the number of dissolutions, the higher fee is expected to generate an additional \$271,000 of general fund revenue each year of the 1989 biennium.
3. House Bill 461 - increases apiary registration and inspection fees and is expected to increase general fund revenue \$19,000 each year of the 1989 biennium.

4. House Bill 583 - imposes a fee on regulated utilities to fund the operations of the Public Service Commission. Based on the commission's appropriations in House Bill 2, the fees are anticipated to yield \$1,769,000 in fiscal 1988 and \$1,680,000 in fiscal 1989.

5. House Bill 837 - earmarks fees collected from uniform commercial code filings for funding operation of the Secretary of State's office. Since the fees are currently deposited in the general fund, general fund revenue is forecast to decrease \$189,000 in fiscal 1988 and \$188,000 in fiscal 1989. However, the net effect on the general fund is zero because appropriations are reduced by the same amount.

6. House Bill 863 - replaces the current \$1,500 per video poker machine annual licensing fee with a \$100 per machine annual licensing fee earmarked for administrative costs and a tax on the net income of the machines. The bill also extends the licensing requirement and net income tax to keno machines. For both video poker and keno machines, the general fund's share on the new net income tax is expected to exceed its share of previous licensing fees by \$954,000 in fiscal 1988 and \$1,902,000 in fiscal 1989.

7. House Bill 864 - increases many of the license fees assessed by the Department of Agriculture. The higher fees are anticipated to increase general fund revenue \$80,000 each year of the 1989 biennium.

8. Senate Bill 200 - replaces the current light vehicle fee registration system with a tax on vehicles. Seven percent of total collections are allocated to the general fund as a district court fee. Fiscal 1988 general fund revenue from the fee is expected to total \$2,310,000, while fiscal 1989 revenue is forecast to be \$2,398,000.

9. Senate Bill 246 - continues the certificate of need application process with the result that \$86,000 of additional general fund revenue is expected each year of the 1989 biennium.

Eleven other bills passed by the legislature, but with smaller impacts than those discussed above, also affect general fund revenue from other sources. House Bills 2, 78, 232, 536, 789, and Senate Bills 111, 114, 164, 186, and 247 generate a net revenue gain of \$16,000 in fiscal 1988 and a net gain of \$26,000 in fiscal 1989.

## PUBLIC SCHOOL FOUNDATION PROGRAM

The public school foundation and permissive program is designed to meet the constitutional mandate (Article X, Section 1, Montana Constitution) that "the legislature shall provide a basic system of free quality public elementary and secondary schools." Program funding is provided through county and state equalization aid, district levies, and general fund. The primary revenue source for county equalization aid is the property tax levy of 45 mills statewide. School districts may, without a vote, levy an additional 6 mills for elementary schools and 4 mills for high schools. These revenues are referred to as the district share of the permissive program. State equalization aid comes from six dedicated sources. General fund is added to the extent that county and state equalization aid does not cover the formula-driven costs of the foundation and permissive program.

The cost of the public school foundation program is driven by enrollment changes and the funding schedules adopted by the legislature. For the 1989 biennium the legislature, as requested by the executive, provided no increase in the funding schedule for the public school foundation program. While no allowances were made for inflation, program costs are anticipated to increase by 1.7 percent from the 1987 biennium to the 1989 biennium to cover the costs associated with enrollment growth. Table 1 below shows the enrollment estimates used to calculate the cost of the public school foundation program in the 1989 biennium.

Table 1  
Public School Enrollment (ANB)  
Fiscal Years 1984 - 1989

<u>Fiscal Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>% Change</u>
1984	104,152	46,533	150,685	---
1985	104,795	46,451	151,246	.37
1986	105,078	46,479	151,557	.21
-----	-----	Projected	-----	-----
1987	104,010	46,717	150,727	(.55)
1988	105,267	46,539	151,806	.72
1989	107,139	45,453	152,592	.52

Table 2 shows the revenue sources for the public school foundation and permissive program in the 1989 biennium. These estimates reflect the legislation passed by the Fiftieth Legislature.



Table 1  
Public School Foundation Program Funding  
Fiscal Years 1988 and 1989  
(Millions)

	Projected Fiscal 1988	Projected Fiscal 1989	1989 Biennium
Maximum General Fund Without a Vote	\$285.360	\$286.843	\$572.203
State Equalization Aid			
Beginning Fund Balance	-0-	-0-	-0-
31.8% Individual Income Tax	68.356	75.865	144.221
25% Corporate License Tax	12.299	14.387	26.686
16.796% Coal Severance Tax	10.004	10.471	20.475
Common School Interest and Income	34.540	35.665	70.205
U.S. Mineral Royalties	16.679	17.709	34.388
67.5% Education Trust Fund Interest	2.016	.665	2.681
Withdrawal from the Education Trust Fund	34.000	-0-	34.000
General Fund Appropriation	.443	24.093	24.536
Total State Equalization	\$178.337	\$178.855	\$357.192
County Equalization			
45 Mill Levy	\$ 89.816	\$ 90.527	\$180.343
Miscellaneous	2.464	2.576	5.040
Forest Funds	1.226	1.226	2.452
Grazing Funds	.102	.102	.204
Elementary Transportation	(3.788)	(3.788)	(7.576)
High School Tuition	(.761)	(.761)	(1.522)
Total County Equalization	\$ 89.059	\$ 89.882	\$178.941
District Permissive Levy	\$ 17.964	\$ 18.106	\$ 36.070
Total Funding	<u>\$285.360</u>	<u>\$286.843</u>	<u>\$572.203</u>

## Legislation Affecting the Foundation Program

The Fiftieth Legislature passed several bills affecting the revenues which support the public school foundation program. Table 2 shows the fiscal impact of each bill for fiscal years 1988 and 1989. The legislation approved by the 50th Legislature increases revenues to the school foundation program by an estimated \$37.8 million for the biennium.

Table 2  
Legislation Affecting Public School Foundation Program Revenues  
1989 Biennium

<u>Legislation</u>	<u>Revenue Source</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
HB 2	Additional 13.0 FTE Auditors		
	Withdraws \$762,844 from the Education Trust	\$ 954,000	\$ 954,000
HB 409	Revises Child Care Deduction	(15,300)	(57,900)
HB 904	Increases/Reallocates Individual Income Tax	(46,000)	(46,000)
	Withdraws \$34M from Education Trust	20,039,000	19,846,000
SB 74	Revises Exemptions on Pension Plans	(1,291,000)	(2,581,900)
SB 240	Employer Pick-up of Firefighters Retirement	(622,000)	(622,000)
SB 22	Extends Tax Credit for Capital Companies	(10,000)	(10,000)
		(169,000)	(166,000)
		(40,000)	(39,000)
HB 703	Water's Edge Unitary Combination Method	-0-	(194,000)
SB 228	Reallocates the Coal Severance Tax	7,509,100	7,525,500
HB 252	Reduces Coal Severance Tax Rate	(10,500)	(42,000)
HB 39	Withdraws \$1.454M from Education Trust	(56,300)	(111,650)
HB 434	Withdraws \$35M from Education Trust	(2,705,000)	(2,705,000)
HB 512	Fee in Lieu of Tax on Aircraft	(206,000)	(206,000)
HB 658	Fee in Lieu of Tax on Boats	(8,000)	(8,000)
HB 813	Fee in Lieu of Tax on ATV's	11,000	11,000
HB 848	Refund on Certain Out-of-State Taxes	(431,000)	(431,000)
HB 851	Transfer Electrolytic Ore Reduction Machinery to Class 5	(224,000)	(224,000)
SB 44	Transfer Large Trucks to Class 8	(623,000)	(623,000)
SB 200	Property Tax on Motor Vehicles	6,166,000	6,400,000
		(7,842,000)	(8,138,000)
SB 340	Property Tax Exemptions for Agricultural Products and Certain Livestock	(120,000)	(524,000)
SB 383	12 Month Tax Holiday on Oil Net Proceeds		
SB 390	Revises Taxation of 20 Acre Parcels or Larger	(166,000)	(169,000)
		(82,000)	(82,000)
	Total Fiscal Impact	<u>\$20,012,000</u>	<u>\$17,756,050</u>

House Bill 904 raises individual income tax revenues by \$36.4 million and increases the allocation of individual income tax to the foundation program from 25 percent to 31.8 percent. If the foundation program allocation had remained at 25 percent, schools would have gained \$9.1 million from the tax increase. But, as shown in Table 2, when the tax increase and the reallocation of the tax are combined, the fiscal impact is a \$39.9 million increase in foundation program funding.

Senate Bill 228 increases the coal tax allocation to the public school foundation program from 3.8 percent to 16.796 percent in the 1989 biennium by diverting funds from the education trust and the local impact account. While the public school equalization account will gain an estimated \$15.84 million in additional coal tax, the earnings from the education trust fund as a result of Senate Bill 228 will be \$0.8 million less.

House Bills 2, 39, 434, and 904 withdraw a total of \$71,217,538 from the education trust fund. The balance in the trust, prior to the withdrawal of these appropriations, is \$79.76 million. By the end of the 1989 biennium, the balance in the trust fund will be \$8.54 million. Revenues to the foundation program from education trust fund earnings will be reduced by \$9.6 million in the 1989 biennium as a result of these four bills.

#### Appropriations to the Public School Foundation Program

In addition to appropriating the earmarked revenues for state and county equalization aid, House Bill 904 appropriates \$34 million of education trust funds and \$62 million of general fund, for a total of \$96 million, to cover the costs of the foundation program with no schedule increase in the 1989 biennium. Of the \$96 million, an estimated \$58.536 million will actually be needed to fund the foundation program. Since Montana statute requires that non-general fund be expended first, the foundation program cost will be met with \$34 million from the education trust and \$24.536 million of general fund.

#### 1987 Biennium Supplemental

House Bill 434, the supplemental appropriations bill, appropriates \$1 million for the public school foundation program to complete the 1987 biennium. LFA revenue projections indicate that only \$130,000 of this supplemental appropriation will be needed to cover the cost of the foundation program in the 1987 biennium. Thus, \$870,000 of the \$1 million appropriation will revert to the general fund.



## PAY PLAN

House Bill 233 establishes compensation levels for classified state employees during the 1989 biennium. For both fiscal 1988 and 1989, compensation levels are maintained at the fiscal 1987 levels. Except for movement from step 1 to step 2 on the statewide matrix, state employees remain at the steps they occupy on June 30, 1987. Individuals in exempt positions may not receive an increase in compensation in fiscal 1988 or 1989 unless they change positions or successfully complete a probationary period. The state's insurance contribution is held at \$1,380 annually.

Agency budgets included in House Bill 2 contain sufficient personal services funding to maintain employee compensation at the fiscal 1987 year-end level. Consequently, House Bill 233 does not include an appropriation for pay plan costs.

## THE LONG-RANGE BUILDING PROGRAM

House Bill 5 the long-range building bill, appropriates \$17,686,787 for major maintenance and construction of state buildings. The building program is supervised by the Architecture and Engineering Division of the Department of Administration.

Long-range building projects are funded from the capital project account, state, federal and private special revenue funds, and university auxiliary funds. The capital project cash account receives 20.25 percent of cigarette tax collections, the interest earned on the balances in the cash account and the 1981 and 1983 bond series accounts, and supervisory fees. A 1 percent supervisory fee is paid to the Architecture and Engineering Division for supervision of building projects that are funded from other than the cash account.

Funds available in the cash account are projected to total \$7,496,414 in the 1989 biennium. House Bill 2 appropriates \$1,122,773 of capital project funds to the Architecture and Engineering Division for operations. House Bill 5 funds 32 projects, totaling \$6,246,547, from the cash account. As shown in Table 1, the fund balance in the LRBP cash account is projected to be \$127,094 at the end of the 1989 biennium.

Table 1  
Long Range Building Program Cash Account (LRBP)  
1989 Biennium

Estimated Beginning Cash Balance	\$2,395,349
Revenues	
Cigarette Tax	\$4,293,000
Interest Earnings	668,065
Supervisory Fees	120,000
Deferred Payments (EMC)	<u>20,000</u>
Total Revenues	<u>5,101,065</u>
Funds Available in the 1989 Biennium	\$7,496,414
Expenditures	
A&E Operating Expenses - HB2	\$1,122,773
LRBP Cash Projects - HB5	<u>6,246,547</u>
Total Expenditures	<u>7,369,320</u>
Estimated Ending Fund Balance	<u>\$ 127,094</u>

Other funding for capital construction projects includes \$4,824,950 of Fish, Wildlife and Parks state special revenue, \$1,522,000 of highway state special revenue, \$639,500 of university auxiliary funds, and \$4,453,790 of federal and other funds. No bonds were authorized by the Fiftieth Legislature for the capital construction program.

Three new construction projects are approved in the long-range building bill. These appropriations are \$1.4 million to construct a new Fish, Wildlife and Parks headquarters building in Kalispell, \$1.2 million to construct a new FWP headquarters building in Billings, and \$420,000 for an addition to the Helena job service office. Other large appropriations include \$1,038,000 for remodeling cottages at Montana Developmental Center in Boulder, \$1,853,200 for improvements to the electrical distribution system at Montana State University, and \$1,890,000 for an energy management control system at Montana State University.

Table 2 shows the capital construction projects that were approved by the Fiftieth Legislature and indicates the sources of funding for each project.

Table 2  
Capital Construction Program  
1989 Biennium

Department	Capital Projects Funds	State Special Revenue	Federal Special Revenue	Other Revenue	Total Appropriation
<b>Administration</b>					
Asbestos Abatement, Phase II	\$ 500,00	\$ -0-	\$ -0-	\$ -0-	\$ 500,000
Replace Roofs, Capitol Complex	103,500	-0-	-0-	-0-	103,500
Handicapped Modifications, Capitol Complex	235,700	-0-	-0-	-0-	235,700
Fire Protection, Capitol Complex	50,000	-0-	-0-	-0-	50,000
Energy Retrofit	-0-	-0-	200,000	-0-	200,000
Prison Loss Recovery	-0-	200,000	-0-	-0-	200,000
Total Administration	<u>\$ 889,200</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -0-</u>	<u>\$ 1,289,200</u>
<b>Montana School for the Deaf and Blind</b>					
Improve Handicapped Access	\$ 32,800	-0-	-0-	-0-	\$ 32,800



<u>Department</u>	<u>Capital Projects Funds</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Other Revenue</u>	<u>Total Appropriation</u>
<b>Military Affairs</b>					
Replace Roof, Chinook Armory	\$ 45,000	\$ -0-	\$ -0-	\$ -0-	\$ 45,000
Armory Storage Additions	-0-	-0-	300,000	-0-	300,000
Federal Spending Authority	-0-	-0-	300,000	-0-	300,000
Total Military Affairs	<u>\$ 45,000</u>	<u>\$ -0-</u>	<u>\$ 600,000</u>	<u>\$ -0-</u>	<u>\$ 645,000</u>
<b>University System</b>					
Fume Hood System Problems, MT Tech	\$ 124,000	\$ -0-	\$ -0-	\$ -0-	\$ 124,000
Renovate Fire Alarm Systems, MSU and WMC	73,000	-0-	-0-	-0-	73,000
Eliminate PCB, EMC	20,000	-0-	-0-	-0-	20,000
Replace/Repair Roofs, Statewide	990,000	-0-	-0-	-0-	990,000
Improve Handicapped Accessibility, EMC & WMC	156,100	-0-	-0-	-0-	156,100
Improve Electrical Distribution, Phase 1, MSU	1,229,300	-0-	-0-	623,900	1,853,200
Install Exhaust System, NMC	50,000	-0-	-0-	-0-	50,000
Repair Projects, WMC	78,100	-0-	-0-	-0-	78,100
Water and Steam Mains, UM	168,400	-0-	-0-	15,600	184,000
Energy Management Control System	-0-	-0-	-0-	1,890,000	1,890,000
Major Maintenance, AES	<u>160,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>160,000</u>
Total University System	<u>\$3,048,900</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$2,529,500</u>	<u>\$ 5,578,400</u>

<u>Department</u>	<u>Capital Projects Funds</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Other Revenue</u>	<u>Total Appropriation</u>
<b>Justice</b>					
Upgrade Registrar's Bureau, Deer Lodge	\$ 75,000	\$ -0-	\$ -0-	\$ -0-	\$ 75,000
<b>State Lands</b>					
Repair Projects, Stillwater	\$ 28,200	\$ -0-	\$ -0-	\$ -0-	\$ 28,200
<b>Labor and Industry</b>					
Repair Cracking, Great Falls Job Service	\$ -0-	\$ -0-	\$ 30,000	\$ -0-	\$ 30,000
Remodel and Weatherize Job Services, Statewide	-0-	-0-	135,540	-0-	135,540
Helena Job Service Office Addition	-0-	250,000	170,000	-0-	420,000
<b>Total Labor and Industry</b>	<u>\$ -0-</u>	<u>\$ 250,000</u>	<u>\$ 335,540</u>	<u>\$ -0-</u>	<u>\$ 585,540</u>
<b>Highways</b>					
Misc. Repairs and Improvements Statewide	\$ -0-	\$ 750,000	\$ -0-	\$ -0-	\$ 750,000
Construct New Section Hdqtrs, Columbia Falls	-0-	99,700	-0-	-0-	99,700
Construct Laboratory Addition, Great Falls	-0-	34,000	-0-	-0-	34,000
Construct Steam Cleaning Bldgs, Glendive and Miles City	-0-	80,000	-0-	-0-	80,000
Construct Combination Shop, Phase I, Wolf Point	-0-	103,000	-0-	-0-	103,000

<u>Department</u>	<u>Capital Projects Funds</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Other Revenue</u>	<u>Total Appropriation</u>
Construct Shop Addition, Kalispell	\$ -0-	\$ 71,000	\$ -0-	\$ -0-	\$ 71,000
Construct Sandhouses Statewide	-0-	156,000	-0-	-0-	156,000
Construct Equip Storage Garages, Statewide	-0-	228,300	-0-	-0-	228,300
Total Highways	<u>\$ -0-</u>	<u>\$1,522,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,522,000</u>
<b>Institutions</b>					
Correct Safety Deficiencies Montana Developmental Center	\$ 126,000	\$ -0-	\$ -0-	\$ -0-	\$ 126,000
Correct Safety Deficiencies, Cottage II, Eastmont	95,245	-0-	-0-	-0-	95,245
Repair Sewage Lagoon, Montana Developmental Center	20,000	-0-	-0-	-0-	20,000
Install Smoke Detectors, Montana State Hospital	10,300	-0-	-0-	-0-	10,300
Replace Roofs	309,500	-0-	-0-	-0-	309,500
Improve Handicapped Access, Montana State Hospital	124,622	-0-	-0-	-0-	124,622
Improve Handicapped Access & Install Fence, Ctr for the Aged	21,000	-0-	-0-	-0-	21,000
Install Drain System & Upgrade Phys Plant, Eastmont	34,900	-0-	-0-	-0-	34,900
Refurbish Water Towers, Statewide	50,000	-0-	-0-	-0-	50,000
Remodel Cottages A, B, & C, Montana Developmental Center	1,038,000	-0-	-0-	-0-	1,038,000



<u>Department</u>	<u>Capital Projects Funds</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Other Revenue</u>	<u>Total Appropriation</u>
Repair Projects, Montana State Hospital	\$ 60,880	\$ -0-	\$ -0-	\$ -0-	\$ 60,880
Construct Yard Storage and Toilets, Prison	62,000	-0-	-0-	-0-	62,000
Remodel Dining Hall, Montana State Hospital	100,000	-0-	-0-	-0-	100,000
Legal Fees and Costs, Prison	75,000	-0-	-0-	-0-	75,000
Total Institutions	<u>\$2,127,447</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,127,447</u>
<b>Fish, Wildlife, and Parks</b>					
Boat Facilities Program	\$ -0-	\$ 50,000	\$ 140,000	\$ -0-	\$ 190,000
Develop Property	-0-	379,000	-0-	-0-	379,000
Fishing Access Site Acquisitions	-0-	409,000	-0-	50,000	459,000
Fishing Access Site Protection	-0-	150,000	150,000	-0-	300,000
Creston Hatchery Supplemental	-0-	225,000	-0-	-0-	225,000
Miles City Hatchery Supplemental	-0-	81,750	245,250	-0-	327,000
Improve Regional Hqtrs	-0-	41,000	-0-	-0-	41,000
Land Transfer, Region 3 Hqtrs	-0-	108,700	-0-	-0-	108,700
Helena Office Mechanical Suppl	-0-	65,000	-0-	-0-	65,000
Construct Region 1 Hqtrs, Kalispell	-0-	1,400,000	-0-	-0-	1,400,000
Construct Region 5 Hqtrs, Billings	-0-	1,200,000	-0-	-0-	1,200,000
Improve Warehouse Complex	-0-	80,000	-0-	-0-	80,000

<u>Department</u>	<u>Capital Projects Funds</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Other Revenue</u>	<u>Total Appropriation</u>
Improve Waterfowl Habitat	\$ -0-	\$ 425,000	\$ -0-	\$ -0-	\$ 425,000
Improve Big Horn Sheep Habitat	-0-	179,000	-0-	-0-	179,000
Ashley Creek Headgate	-0-	31,500	-0-	-0-	31,500
Gartside Dam Construction	-0-	-0-	343,000	-0-	343,000
Centennial Projects	-0-	-0-	-0-	50,000	50,000
Total Fish, Wildlife, and Parks	\$ -0-	\$ 4,824,950	\$ 878,250	\$ 100,000	\$ 5,803,200
TOTAL CASH PROGRAM	\$ 6,246,547	\$ 6,796,950	\$ 2,013,790	\$ 2,629,500	\$ 17,686,787

## OIL OVERCHARGE

House Bill 621 appropriates oil overcharge monies to projects and programs related to energy conservation. Oil overcharge monies result from the repayments made by Exxon, Chevron, Amoco, Diamond Shamrock, and other domestic crude oil producers for violations of federal oil price and allocation controls between 1973 and 1981. The federal district court, which required the repayment of the overcharges, specified that the funds would be allocated to each state based upon its consumption of petroleum products from September 1973 through January 1981. Approximately \$14.6 million has been made available to the State of Montana.

The federal court order specifies the programs that can be funded with oil overcharge monies. Exxon monies can only be used to fund five federally-funded, energy conservation programs. These programs are 1) State Energy Conservation Program, 2) Institutional Conservation Program, 3) Energy Extension Service, 4) Low Income Energy Assistance Program, and 5) Weatherization Assistance Program. No Exxon overcharge monies can be used for administration of these programs. The Diamond Shamrock, Stripper Well, and Amoco monies may be spent on the same programs as Exxon as well as a variety of other energy conservation projects and programs. These funds can also be spent on administration.

Before the overcharge monies were released to the State of Montana, the Governor was required to sign a statement that the funds would be expended in a manner which complied with the respective court orders. Included in the statement is the assurance that the funds will be used to supplement, not supplant, funds otherwise available for these programs under state or federal law. The state must also submit a restitutionary program to the federal Department of Energy for approval prior to the expenditure of the overcharge monies.

House Bill 621 appropriates \$12,913,397 for projects and programs and reappropriates, for the 1989 biennium, the unspent balance of the \$1,666,000 appropriation of Exxon overcharge monies approved in House Bill 22 by the June 1986 special session. Table 1 shows the projects and programs that were funded with oil overcharge funds in House Bill 621. The agency which will oversee each project is shown in parentheses.



Table 1  
House Bill 621 - Oil Overcharge Projects  
1989 Biennium

<u>Project</u>	<u>Exxon</u>	<u>Amoco</u>	<u>Stripper</u>	<u>Diamond Shamrock</u>	<u>Total</u>
*SRS Reserve Account	\$1,650,000	\$	\$ 850,000	\$	\$ 2,500,000
Low-Income Home Weatherization (SRS)	3,200,000				3,200,000
Energy Share (SRS)			200,000		200,000
Transloading Facility (Commerce)	2,100,000				2,100,000
Grants to Conservation Districts for Energy Conservation in Agriculture (DNRC)	500,000				500,000
Retrofit of State Buildings (DNRC)			1,985,000		1,985,000
Institutional Conservation Program (DNRC)	900,000				900,000
Technical Assistance to Local Governments (DNRC)	235,000				235,000
Low-Pressure Sodium Vapor Lights (Highways)		124,000	87,000		211,000
State Energy Conservation Program for Small Energy Consumers (DNRC)	305,439		338,000		643,439
Weed Control (Agriculture)			139,042		139,042
West Yellowstone Airport (Commerce)			65,000		65,000
Administration (DNRC)				234,916	234,916
Total Approved	\$8,890,439 =====	\$124,000 =====	\$3,664,042 =====	\$234,916 =====	\$12,913,397 =====

\*House Bill 621 also appropriates the remaining balance of the \$1,666,000 appropriation of Exxon oil overcharge approved in House Bill 22 by the June 1986 special session.

The \$2.5 million appropriation to the SRS reserve account will be used to fund the low-income energy assistance and home weatherization programs if federal grants for either of the programs are reduced below the federal fiscal 1987 level. The Department of Social and Rehabilitation Services may not use the principal of the reserve account to increase expenditures in either program above the level of the federal grant for that program for federal fiscal year 1987.

The \$3.2 million appropriation for the low-income weatherization program is a biennial appropriation to the Department of Social and Rehabilitation Services and will be used regardless of the federal funding level in the 1989 biennium. Included with the appropriation is language which encourages human resource development councils and other agencies that receive weatherization funds to hire people who are eligible for general assistance.

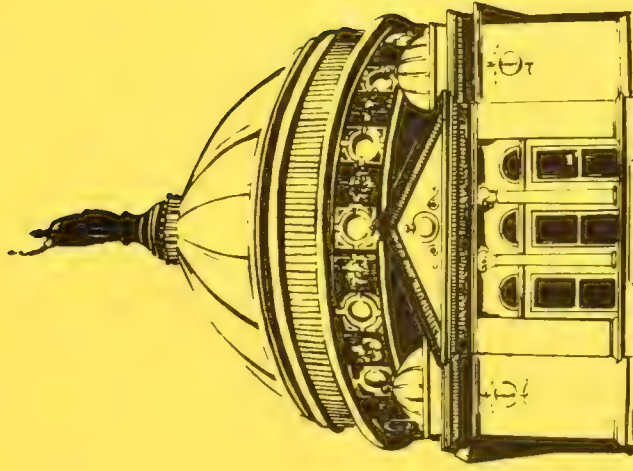
The \$2.1 million grant for a transloading facility will be awarded by the Department of Commerce to a local government for construction of a demonstration truck/train transloading facility. The location of the facility will be chosen based upon energy savings, freight rates, job creation, proximity to raw materials, and access to new markets for Montana producers and shippers.

The appropriations made to the Department of Natural Resources and Conservation are for programs already in existence and administered by the Department of Natural Resources and Conservation. These programs are federally funded programs. The department is also appropriated \$234,916 of Diamond Shamrock overcharge funds for the administration and transfer of the overcharge funds.

The Department of Highways is appropriated \$211,000 to replace mercury highway lights east of the Continental Divide with energy efficient low-pressure sodium vapor lights. These energy efficient lights have already been installed on the western side of the divide with funds from the Bonneville Power Administration.

The Department of Agriculture is appropriated \$139,042 for the collection and distribution of biological agents to control leafy spurge and spotted knapweed. The project is intended to reduce energy consumption by reducing the need for repeated chemical application.

The Department of Commerce is appropriated \$65,000 for repair of the roof at the state-owned, West Yellowstone Airport. The Department of Commerce is directed by the legislature to take the steps necessary to transfer the ownership of the airport to the City of West Yellowstone or another local public authority willing to own and operate the airport. If no public entity is willing to take over the airport, the department shall present a plan to the Fifty-first Legislature to close the airport.



# LEGISLATIVE, JUDICIAL & ADMINISTRATIVE







AGENCY: LEGISLATIVE AUDITOR		LEGISLATIVE ACTION						PROGRAM: LEGISLATIVE AUDITOR	
BUDGET ITEM	FY 1986 Actual	Executive	Fiscal 1988 Legislature	Difference	Executive	Fiscal 1989 Legislature	Difference	FY 86-88 % Change	
FTE	60.00	60.00	60.00	0.00	60.00	60.00	0.00	0.00	
Personal Services	\$1,627,870	\$1,778,515	\$1,707,574	\$ (70,941)	\$1,779,247	\$1,778,059	\$ (1,188)	4.90	
Operating Expenses	302,314	303,708	377,480	73,772	291,206	359,762	68,556	24.86	
Equipment	30,592	37,150	37,150	0	28,682	29,372	690	21.44	
TOTAL EXPENSES	\$1,960,776	\$2,119,373	\$2,122,204	\$ 2,831	\$2,099,135	\$2,167,193	\$ 68,058	8.23	
FUNDING									
General Fund	\$1,094,233	\$1,217,733	\$1,111,141	\$ (106,592)	\$1,209,495	\$1,102,793	\$ (106,702)	1.55	
State Special Revenue	866,543	901,640	1,011,063	109,423	889,640	1,064,400	174,760	16.68	
TOTAL FUNDING	\$1,960,776	\$2,119,373	\$2,122,204	\$ 2,831	\$2,099,135	\$2,167,193	\$ 68,058	8.23	

Program Description: The Office of the Legislative Auditor was established in 1967 and is governed by the Legislative Audit Act contained in Title 5, Chapter 13, MCA. Article V, Section 10 (4) of the Montana Constitution mandates a legislative post-audit function.

Legislative Intent: House Bill 2 includes language to require that a fee be assessed on bonding agencies at 30 cents per \$1,000 of bonds issued, to reimburse the general fund for the portion of the statewide audit that is funded by general fund.

Budget: The budget is as the agency requested with minor adjustments. The budget provides for a 8.2 percent increase from fiscal 1986 to fiscal 1988. The 4.9 percent increase in personal services can be attributed to the pay plan increase from fiscal 1986 to fiscal 1987. A 4 percent vacancy savings rate was applied to this program in the 1989 biennium. Operating expenses increase 24.9 percent due to the costs of the lottery audit beginning in the 1989 biennium. Equipment requests in fiscal 1988 include \$13,140 to convert existing word processors to equipment that is compatible with state supported software and other legislative branch agencies. Additional equipment requirements are to complete the long-range plan to automate the audit process. Costs increase in fiscal 1989 due to the addition of several new audits, shown in Table 1, added by the Fiftieth Legislature.

Modifieds Approved:

1. Lottery Audit - The approved modified request allows annual audits of the state lottery. The lottery audits will be funded by the proceeds of the lottery, and will cost \$74,256 in fiscal 1988 and \$53,456 in fiscal 1989. The audit cost will be charged to the state special revenue fund and is line-itemed.

Funding: The agency is funded from two sources. General fund is appropriated to the agency for performance audits, financial audits, contract audits, legislative requests, and administration of the agency. Revenues from fees charged to audited agencies are placed in a state special revenue account, and are used to fund the costs of the audits. The statewide audit is funded 50 percent from the general fund, but this expenditure is designed to be offset by reimbursements from bonding agencies which will pay an assessment on the amount of bonds issued.

Other Legislation: In addition to the lottery audits, several bills were approved by the 1987 legislature which add new programs and new audit requirements. Table 1 below shows the bills approved, a description of the program, and the amount of increased state special revenue appropriations added to House Bill 2 to complete new audit/review requirements.

Table 1  
New Audit Requirements

Bill	Description	Cost	
		Fiscal 1988	Fiscal 1989
Senate Bill 105	Audit of the Montana Medical Legal Panel	\$ -0-	\$ 1,750
Senate Bill 138	Professional and Occupational Licensing Board Reviews	-0-	39,000
House Bill 251	Audit of State Agency Telephones	-0-	8,000
House Bill 325	Audit of Family Services Department	-0-	22,400
House Bill 700	Audit of Science and Technology Development Board	-0-	15,000

Difference From Executive: The legislature added a 4 percent vacancy savings and approved additional appropriations for the lottery audit and new program audits as discussed above. In addition, the legislature changed funding for 50 percent of the statewide audit from state special revenue to general fund.



AGENCY: LEGISLATIVE FISCAL ANALYST

LEGISLATIVE ACTION

PROGRAM: ANALYSIS AND REVIEW

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	17.50	17.50	18.50	1.00	18.00	19.00	1.00	1.00
Personal Services	\$530,601	\$604,905	\$644,646	\$39,741	\$612,936	\$653,161	\$40,225	21.49
Operating Expenses	127,162	125,156	150,156	25,000	167,862	197,862	30,000	18.08
Equipment	81,647	2,750	2,750	0	2,750	2,750	0	-96.63
TOTAL EXPENSES	\$739,410	\$732,811	\$797,552	\$64,741	\$783,548	\$853,773	\$70,225	7.86
GENERAL FUND	\$739,410	\$732,811	\$797,552	\$64,741	\$783,548	\$853,773	\$70,225	7.86

Program Description: The Office of the Legislative Fiscal Analyst (LFA) was established in 1974 to provide concentrated fiscal analysis of state government and to accumulate, compile, analyze, and furnish such information that might bear upon financial matters of the state and that might be relevant to issues of policy and questions of statewide importance. Governing legislation is the Legislative Finance Act, Title 5, Chapter 12, MCA, which also established the Legislative Finance Committee. The major functions of the LFA staff are conducting analyses of budget requests, agency operations, and revenue to provide the legislature with an independent analysis of the executive budget and the executive branch's execution of legislative intent.

Budget: The budget provides for a 7.9 percent increase from fiscal 1986 to fiscal 1988. The current level operating budget decreases slightly, and the increase is due entirely to a one-time biennial appropriation of \$100,000 for a university funding study. For comparison purposes, the funding study costs are split evenly between fiscal 1986 and fiscal 1988. Personal services increase 21.5 percent due in part to positions being held vacant in fiscal 1986 and the added costs of a new computer system and to budget cutbacks. In addition, 1.0 FTE was added each year for the study of university funding and personnel services increase approximately \$17,000 each year to bring the agency up to the fiscal 1987 pay plan to be consistent with other legislative agencies and the executive branch. A 2 percent vacancy savings rate was applied to the program in the 1989 biennium. Current level operating expenses decrease 3 percent due to a \$5,000 reduction in travel and meeting expenses for the Legislative Finance Committee, but the decrease is more than offset by the one-time operating expenses for the university funding study. Operating expenses include a \$20,000 biennium appropriation in fiscal 1988 for consultants. The increase in personal services and operating costs from fiscal 1988 to fiscal 1989 are due primarily to session costs for computer programming, data

processing charges, printing, and supplies. Equipment allowances of \$2,750 per year are for miscellaneous office equipment.

Difference From Executive: The legislature reduced personal services approximately \$12,000 per year for a 2 percent vacancy savings rate, but added increases of \$17,000 per year to fund the agency at the fiscal 1987 pay plan level. In addition, the legislature appropriated \$130,000 for the university study, which is shown as \$35,000 per year in personal services and \$30,000 per year in operating expenses. An additional adjustment to operating expenses was a \$5,000 reduction in Legislative Finance Committee travel funds for fiscal 1988.

AGENCY: LEGISLATIVE COUNCIL

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	43.50	44.00	44.70	0.70	57.50	54.45	-3.05	1.20
Personal Services	\$1,228,232	\$1,323,639	\$1,235,190	\$ (88,449)	\$1,611,821	\$1,399,267	\$ (112,554)	0.57
Operating Expenses	735,598	1,691,653	1,308,082	(383,571)	706,587	577,437	(129,150)	77.83
Equipment	64,592	49,235	8,860	(40,375)	14,345	8,500	(5,845)	-86.28
Non-Operating	0	0	200,000	200,000	0	0	0	N/A
TOTAL EXPENSES	\$2,028,422	\$3,064,527	\$2,752,132	\$ (312,395)	\$2,332,753	\$1,985,204	\$ (347,549)	35.68
FUNDING								
General Fund	\$1,696,855	\$2,277,136	\$1,764,741	\$ (512,395)	\$2,332,753	\$1,985,204	\$ (347,549)	4.00
State Special Revenue	316,619	787,391	987,391	200,000	0	0	0	211.85
Other Revenue	14,948	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$2,028,422	\$3,064,527	\$2,752,132	\$ (312,395)	\$2,332,753	\$1,985,204	\$ (347,549)	35.68

**Program Description:** The Legislative Council provides a variety of support services to the legislature under the general supervision of an eight member bi-partisan committee composed of four members of the House of Representatives and four members of the Senate. The Legislative Council was established in 1957 to provide support to the legislature in the drafting of legislation and to coordinate the activities of standing and select committees and subcommittees by providing staff support and report preparation assistance. The council also provides legislative research and reference services, legal counseling for the legislature, interim investigation authority, serves as the agency of interstate cooperation, prepares and publishes the Montana Code Annotated statute text and annotations, and provides other services as assigned by the legislature.

**Budget:** The table above shows an increase from fiscal 1986 to fiscal 1988 of 35.7 percent, but this is somewhat misleading since the fiscal 1988 figure includes \$934,891 in biennial appropriations as well as \$200,000 in fund transfers. When the 1987 biennium is compared with the 1989 biennium, there is a decrease in agency funding of 9.2 percent excluding fund transfers. The decrease occurs due to a 40 percent reduction in the Interim Studies and Conferences program, a 20 percent reduction in the Montana Code Annotated Program (excluding fund



transfers) for the biennium, and a 0.8 percent biennium reduction in the largest program, Legislative Council Operations, which is primarily staff support functions. The non-operating costs of \$200,000 in fiscal 1988 is a fund transfer from the Montana Code Annotated state special revenue account to the general fund.

Funding: The Legislative Council Operations Program is supported entirely by general fund, and the Interim Studies and Conference Program is general fund supported with the exception of funding for the Coal Tax Subcommittee, which is funded by coal tax revenues in a state special revenue account. The Montana Code Annotated Program is funded by revenues from the sale of the codes and annotations.

AGENCY: LEGISLATIVE COUNCIL

LEGISLATIVE ACTION

PROGRAM: LEGISLATIVE COUNCIL - OPERATIONS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	41.50	42.00	42.70	0.70	55.50	52.45	-3.05	1.20
Personal Services	\$1,191,096	\$1,323,639	\$1,235,190	\$ (88,449)	\$1,611,821	\$1,399,267	\$ (212,554)	3.70
Operating Expenses	253,434	434,760	330,380	(104,380)	608,365	532,826	(75,539)	30.36
Equipment	64,287	109,235	8,860	(100,375)	14,345	8,500	(5,845)	-86.22
TOTAL EXPENSES	\$1,508,817	\$1,867,634	\$1,574,430	\$ (293,204)	\$2,234,531	\$1,940,593	\$ (293,938)	4.35
GENERAL FUND	\$1,508,817	\$1,867,634	\$1,574,430	\$ (293,204)	\$2,234,531	\$1,940,593	\$ (293,938)	4.35

Program Description: Title 5, Chapters 5 and 11, establish and govern the Legislative Council. The council staff is responsible for providing research, bill drafting, and legal services to the legislature and its interim committees. The staff is also responsible for printing and distributing bills, preparing House and Senate Journals and Session Laws for publication, and recodifying and indexing Montana statutes. The staff is supervised by the Legislative Council. Staff of the council is functionally grouped into four divisions: Research, Legislative Services, Management, and Legal Services.

Budget: The budget provides for a 4.4 percent increase from fiscal 1986 to fiscal 1988 due to increased personal services and operating costs. Personal services increase 3.7 percent due to a net increase of 1.2 FTE, pay plan increases in fiscal 1987, and allowances for employee promotions of \$27,832 in fiscal 1988 and \$7,698 in fiscal 1989. A 4 percent vacancy savings rate was applied to the program in the 1989 biennium. Operating expenses increase 30.4 percent due to increased allowances for microfilm services in the library of \$6,000, increased data processing costs of \$46,000, increased supplies and materials of \$4,100, increased office equipment maintenance costs of \$10,200, and increased travel of \$8,900. Equipment allowances are for replacement of small office equipment. FTE and total expense requirements are higher in fiscal 1989 due to increased workload in a session year.

Difference From Executive: When compared to the original agency budget request for the 1989 biennium (same as executive budget), \$587,142 in reductions were approved. At the recommendation of the Legislative Council, 0.7 FTE were added in fiscal 1988 and 3.05 session FTE were deleted in fiscal 1989. Contract services was increased \$50,000 in fiscal 1989 to contract with the law school for bill drafting services to replace part of the FTE reductions. In addition, reductions were made for position changes, excess personal service dollars originally budgeted, reduced staff

travel and training, reduced data processing and equipment costs due to not funding a computer system upgrade, elimination of funding for a microcomputer network, and reduced small equipment replacement. The adjustments made to the original agency request are summarized in the table below.

Table 1

Legislative Council - Operations Program - Legislative Action

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Personal Services		
FTE Changes	\$ 14,797	\$ (64,163)
Position Changes	(12,067)	(10,336)
Excess Personal Services	(39,921)	(79,961)
4 Percent Vacancy Savings	<u>(51,258)</u>	<u>(58,094)</u>
Personal Services Changes	\$ (88,449)	\$ (212,554)
Operating Expenses		
Staff Travel/Training	\$ (32,967)	\$ (30,329)
Data Processing	(67,746)	(91,635)
Contract Services - Bill Drafting	-0-	50,000
Reduce Payroll Services Fees	<u>(3,667)</u>	<u>(3,575)</u>
Operating Expense Changes	\$ (104,380)	\$ (75,539)
Equipment		
Personal Computers	\$ (60,000)	\$ -0-
DBMS - Text Software	(35,000)	-0-
Other Equipment	<u>(5,375)</u>	<u>(5,845)</u>
Equipment Changes	\$ (100,375)	\$ (5,845)
Total Decrease in Operations Program	<u>\$(293,204)</u>	<u>\$(293,938)</u>



AGENCY: LEGISLATIVE COUNCIL

LEGISLATIVE ACTION

PROGRAM: MONTANA CODE ANNOTATED

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	\$312,439	\$775,391	\$ 0	\$0	\$0	148.17
Equipment	305	0	0	0	0	-100.00
Non-Operating	0	0	200,000	0	0	N/A
TOTAL EXPENSES	\$312,744	\$775,391	\$200,000	\$0	\$0	211.88
STATE SPECIAL REVENUE	\$312,744	\$775,391	\$200,000	\$0	\$0	211.88

**Program Description:** The Montana Codes Annotated Program supports the publication and distribution of the Montana Code Annotated Statute Text, Annotations, and ancillary publications issued under 1-11-301 and 1-11-303, MCA.

**Budget:** The operating budget is the agency budget as originally requested. The entire operating expense amount is a biennial appropriation, so that a comparison between fiscal 1986 actual expenditures and the fiscal 1988 appropriation must consider that fiscal 1986 is one year versus a two year appropriation in fiscal 1988. The 1987 biennium appropriation is \$969,000 compared to the 1989 biennium operating budget of \$775,391 which is a 20 percent decrease for the 1989 biennium. An additional \$200,000 in non-operating costs are included in fiscal 1988 for transfer to the general fund due to an excess balance in the state special revenue account.

**Funding:** The program is funded by a state special revenue account, which receives revenue from sales of the Code and Annotations at prices set by the Legislative Council, as well as receipt of other revenues, including those from copying fees charged to the general public, sales of a video concerning the legislative process, and data processing charges for state agencies and members of the public. As explained above, a \$200,000 excess balance in the state special revenue account will be transferred to the general fund in fiscal 1988.

**Difference From Executive:** The approved budget is as the agency originally requested, except for the transfer of an excess balance of \$200,000 in the state special revenue fund to the general fund.

AGENCY: LEGISLATIVE COUNCIL

LEGISLATIVE ACTION

PROGRAM: INTERIM STUDIES AND CONFERENCES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	2.00	2.00	2.00	0.00	2.00	2.00	0.00	0.00
Personal Services	\$ 37,136	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
Operating Expenses	169,725	421,502	202,311	(219,191)	98,222	44,611	(53,611)	19.20
TOTAL EXPENSES	\$206,861	\$421,502	\$202,311	\$(219,191)	\$98,222	\$44,611	\$(53,611)	-2.20
FUNDING								
General Fund	\$188,038	\$409,502	\$190,311	\$(219,191)	\$98,222	\$44,611	\$(53,611)	1.21
State Special Revenue	3,875	12,000	12,000	0	0	0	0	209.68
Other Revenue	14,948	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$206,861	\$421,502	\$202,311	\$(219,191)	\$98,222	\$44,611	\$(53,611)	-2.20

Program Description: The Interim Studies and Conferences Program provides support and funding for interim studies and legislative activities established under Sections 5-5-502 through 5-5-217, MCA, provides support of interstate cooperation activities of the legislature, and provides support of other interim legislative activities for which appropriations are made.

Budget: The budget reflects the recommendation of the Legislative Council to reduce program funding by nearly 50 percent below the original budget request, plus additional reductions made by the legislature, for a total reduction below the original request by 55 percent. Adjustments include reducing dues for interstate organizations by 50 percent, reducing travel budgets for interstate organizations by 72 percent, and a 62 percent reduction in interim studies funding. A biennial appropriation of \$8,000 was added to continue participation in the Western States Forestry Task Force, and other legislation added funding for the Committee on Indian Affairs and for a legislative reorganization and improvement study. All activities are line-itemed, and all are biennial appropriations with the exception of dues for the two national interstate cooperative organizations. Table 2 shows the original agency request, adjustments, and the budget approved by the legislature for each of the studies.

Table 2  
Legislative Council - Interim Studies and Conferences Program - Legislative Action  
1989 Biennium Budget

	Original Agency Request	Adjustments	Legislature Approved Budget
Interim Studies	\$ 80,000	\$ (60,000)	\$ 20,000
Statewide Issues	25,000	(5,000)	20,000
Revenue Oversight Committee	35,000	(5,000)	30,000
Coal Tax Subcommittee	12,000	-0-	12,000
Administrative Code Committee	14,000	-0-	14,000
Capitol Building and Planning	5,000	(5,000)	-0-
Nat'l Council of State Legislatures - Dues	92,844	(46,422)	46,422
Council of State Governments - Dues	81,800	(40,900)	40,900
NCSL and CSG Travel	137,780	(107,780)	30,000
Five State Biennial Conference	12,300	(8,200)	4,100
Montana-West Canadian Province			
Boundary Advisory Committee	6,000	(4,000)	2,000
Forestry Task Force	-0-	8,000	8,000
Committee on Indian Affairs	-0-	4,500	4,500
Legislative Reorganization and Improv. Commission	-0-	15,000	15,000
Total	<u>\$501,724</u>	<u>\$ (254,802)</u>	<u>\$246,922</u>

**Funding:** All interim studies and conference activities are funded by the general fund, with the exception of the Coal Tax Subcommittee, which is funded by coal tax revenues in a state special revenue account.

**Other Legislation:**

1. House Bill 20 - Committee on Indian Affairs - This bill provides \$4,500 continued funding to the Committee on Indian Affairs for enhancement of Indian/Non-Indian communications and cooperation. The committee is to terminate at the end of the 1989 biennium.

2. House Bill 702 - Legislative Reorganization and Improvement Commission - The legislature approved funding of \$15,000 and established a commission of 12 members appointed by legislative leaders to study the legislative branch of state government and proposals for reorganization. Any unused funds at the end of the biennium are to revert to the general fund. The commission is attached to the Legislative Council for administrative support only.

**Difference From Executive:** The legislative adjustments to the executive budget were the same as shown in Table 2 above, plus the elimination of \$9,000 per year funding for membership in the Uniform State Laws Commission. Funding for the state laws commission was placed in the Governor's Office budget.



BUDGET ITEM	FY 1986 Actual	LEGISLATIVE ACTION				PROGRAM: ADMINISTRATIVE PROGRAM				FY 86-88 % Change
		Fiscal 1988		Fiscal 1989		Fiscal 1989		Fiscal 1989		
		Executive	Legislature	Difference	Executive	Legislature	Difference	Executive	Legislature	
FTE	4.25	4.25	4.25	0.00	4.25	4.25	0.00	4.25	4.25	0.00
Personal Services	\$168,672	\$180,205	\$174,278	\$(5,927)	\$185,715	\$173,898	\$(11,817)	\$185,715	\$173,898	3.32
Operating Expenses	273,630	669,238	669,238	0	668,238	668,238	0	668,238	668,238	144.58
Equipment	19,018	2,200	2,200	0	2,200	2,200	0	2,200	2,200	-88.43
TOTAL EXPENSES	\$461,320	\$851,643	\$845,716	\$(5,927)	\$856,153	\$844,336	\$(11,817)	\$856,153	\$844,336	83.33
STATE SPECIAL REVENUE	\$461,320	\$851,643	\$845,716	\$(5,927)	\$856,153	\$844,336	\$(11,817)	\$856,153	\$844,336	83.33

Program Description: The Office of the Consumer Counsel was created by Article XIII, Section 2 of the Montana Constitution of 1972. The office is governed by Title V, Chapter 15, MCA, and by Title 69, Chapters 1 and 2, MCA. The consumer counsel is charged with the duty of "representing consumer interests in hearings before the Public Service Commission or any other successor agency." The consumer counsel also may initiate, intervene in, or otherwise participate in appropriate proceedings in the state and federal courts and in proceedings before federal administrative agencies on behalf of the consuming public in Montana.

Budget: The approved budget is as the agency requested with an adjustment of \$14,350 for the biennium to delete funding for a 2 percent per year salary increase in the 1989 biennium, and to take a 1 percent vacancy savings. The budget provides for an 83.3 percent increase from fiscal 1986 to fiscal 1988. This is due to an actual expenditure of only 52 percent of the fiscal 1986 appropriation as a result of a much smaller caseload than usual during that period. Personal services increase 3.3 percent due to vacancy savings in the attorney position in fiscal 1986. A 1 percent vacancy savings rate was applied to the program in the 1989 biennium. Operating expenses increase 144.6 percent due to an increase of \$381,560 in contract services for expert witness and legal fees, as well as minor increases in supplies and materials, travel, and repair and maintenance. The agency anticipates a normal case workload in the 1989 biennium. However, \$100,000 was line-itemed for expert witness fees for unanticipated caseload. Equipment is budgeted at \$2,200 each year of the biennium for the purchase of small office equipment and computer modems.

Funding: Funding is provided by a consumer counsel tax on all regulated entities under Public Service Commission jurisdiction.

Difference From Executive: The only adjustments made by the legislature to the executive budget (same as original agency request) were to eliminate a 2 percent salary increase and to take 1 percent vacancy savings.

AGENCY: ENVIRONMENTAL QUALITY COUNCIL

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	6.25	6.25	6.50	0.25	6.25	6.50	0.25	0.25
Personal Services	\$163,230	\$179,752	\$179,843	\$	\$174,952	\$179,375	\$ 4,423	10.18
Operating Expenses	76,086	84,481	111,375	26,894	59,490	107,834	48,344	46.38
Equipment	0	3,000	3,000	0	3,000	3,000	0	N/A
TOTAL EXPENSES	\$239,316	\$267,233	\$294,218	\$26,985	\$237,442	\$290,209	\$52,767	22.94
FUNDING								
General Fund	\$228,393	\$241,033	\$243,618	\$ 2,585	\$237,442	\$239,609	\$ 2,167	6.67
State Special Revenue	10,923	26,200	50,600	24,400	0	50,600	50,600	363.24
TOTAL FUNDING	\$239,316	\$267,233	\$294,218	\$26,985	\$237,442	\$290,209	\$52,767	22.94

Program Description: The Environmental Quality Council (EQC) was created in 1971 by the Montana Environmental Policy Act (MEPA). Two programs exist within the agency. The Environmental Quality Council Program is responsible for the general EQC program and is charged to achieve the environmental quality goals established in MEPA. The Water Policy Committee is responsible for advising the legislature on state water policy, and utilizes the staff of the EQC for support.

Budget: The budget provides for a 23 percent increase from fiscal 1986 to fiscal 1988. The majority of the increase is attributable to a biennial appropriation of \$75,000 to the Water Policy Committee for a one-time water adjudication study. The biennial appropriations, \$26,200 for Water Policy Committee Operations and \$75,000 for the water adjudication study, are distributed equally to each year of the biennium in the table above for comparison purposes. Personal services increase due to vacancy savings in fiscal 1986 and the fiscal 1987 pay plan.

Funding: The Environmental Quality Council Program is general funded. The Water Policy Committee general operations are funded by the Resource Indemnity Trust State Special Revenue Account. The water adjudication study is funded by the Water Development State Special Revenue Account.

Difference From Executive: The legislature approved adjustments to the original agency request for the pay plan increase to fiscal 1987 levels, to take 2 percent vacancy savings, and to add funding for the water adjudication study.



AGENCY: ENVIRONMENTAL QUALITY COUNCIL

LEGISLATIVE ACTION

PROGRAM: ENVIRONMENTAL QUALITY COUNCIL

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	6.25	6.00	6.25	6.00	6.25	0.00
Personal Services	\$159,162	\$174,952	\$177,443	\$174,952	\$176,975	11.49
Operating Expenses	69,231	63,081	63,175	59,490	59,634	-8.75
Equipment	0	3,000	3,000	3,000	3,000	N/A
TOTAL EXPENSES	\$228,393	\$241,033	\$243,618	\$237,442	\$239,609	6.67
GENERAL FUND	\$228,393	\$241,033	\$243,618	\$237,442	\$239,609	6.67

Program Description: The Environmental Quality Council (EQC) was created in 1971 by the Montana Environmental Policy Act (MEPA). As an arm of the legislature, the EQC is charged with implementing the provisions of MEPA and with numerous other statutory duties, as well as completing projects that are assigned to it by the legislature. The EQC reviews the policies and programs of Montana state agencies that are concerned with environmental matters and natural resource development and conservation. The council researches and analyzes environmental trends and problems and recommends ways to improve the state's natural, social, and economic environments. It assists the legislature with natural resource legislation, and staffs the natural resources standing committees and the Water Policy Committee.

Budget: The budget provides for a 6.7 percent increase from fiscal 1986 to fiscal 1988. Personal services increase 11.5 percent due to vacancy savings in fiscal 1986 and an increase of \$5,700 each year to bring the agency salaries up to the fiscal 1987 pay plan to be consistent with other legislative agencies and the executive branch. A 2 percent vacancy savings rate was applied to the program for the 1989 biennium. Operating expenses decrease 8.8 percent primarily due to fewer requirements for contract professional services with a full staff in the 1989 biennium. Equipment costs of \$3,000 per year are included to allow replacement of old and dated small office equipment.

Difference From Executive: The legislature approved adjustments to the original agency request for the pay plan increase to fiscal 1987 levels and to take 2 percent vacancy savings.



BUDGET ITEM	FY 1986 Actual	LEGISLATIVE ACTION				PROGRAM, WATER POLICY COMMITTEE			
		Fiscal 1988		Fiscal 1989		Executive		Legislature	
		Executive	Difference	Executive	Difference	Executive	Difference	Legislature	% Change
FTE	0.00	0.25	0.00	0.25	0.00	0.25	0.00	0.25	0.25
Personal Services	\$ 4,068	\$ 4,800	\$ 2,400	\$ 2,400	\$ (2,400)	\$0	\$ 2,400	\$ 2,400	-41.00
Operating Expenses	6,855	21,400	48,200	26,800	26,800	0	48,200	48,200	603.14
TOTAL EXPENSES	<u>\$10,923</u>	<u>\$26,200</u>	<u>\$24,400</u>	<u>\$50,600</u>	<u>\$24,400</u>	<u>\$0</u>	<u>\$50,600</u>	<u>\$50,600</u>	<u>363.24</u>
STATE SPECIAL REVENUE	<u>\$10,923</u>	<u>\$26,200</u>	<u>\$24,400</u>	<u>\$50,600</u>	<u>\$24,400</u>	<u>\$0</u>	<u>\$50,600</u>	<u>\$50,600</u>	<u>363.24</u>

Program Description: The Water Policy Committee was created statutorily by the Forty-ninth Legislature. The committee's duties include advising the legislature on the adequacy of the state's water policy and of important state, regional, national, and international developments relating to Montana's water resources; overseeing the policies and activities of the Department of Natural Resources and Conservation and other entities as they relate to water management; analyzing and commenting on the state water plan, the water development program, water research, and water data management system; and reporting to the legislature each biennium.

Budget: The entire budget is a biennial appropriation, but is distributed equally in each year of the biennium in the table above for comparison purposes. The biennial budget is identical to that of the previous biennium, except for the addition of \$75,000 for a biennial water adjudication study. The Water Policy Committee is to use the water adjudication study funds to contract with independent consultants for the analysis and review of the water adjudication process, including the role of both the Department of Natural Resources and the Water Courts, and to recommend necessary changes to the process. The 0.25 FTE increase is due to assignment of a 0.25 FTE to the Water Policy Committee, and does not represent an actual position increase.

Funding: Funding for the general operations of Water Policy Committee is derived from the Resource Indemnity Trust State Special Revenue Account. The water adjudication study is funded by the Water Development State Special Revenue Account.

Difference From Executive: The legislature adjusted the original agency request for the \$75,000 water adjudication study.

AGENCY: JUDICIARY

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	91.00	90.50	91.50	1.00	87.00	90.50	3.50	0.50
Personal Services	\$3,593,338	\$3,647,267	\$3,710,885	\$ 63,618	\$3,537,172	\$3,685,553	\$148,381	3.27
Operating Expenses	806,339	921,453	854,899	(66,554)	917,385	838,251	(79,134)	6.02
Equipment	257,569	241,088	227,248	(13,840)	233,038	205,638	(27,400)	-11.77
TOTAL EXPENSES	\$4,657,246	\$4,809,808	\$4,793,032	\$(16,776)	\$4,687,595	\$4,729,442	\$ 41,847	2.92
FUNDING								
General Fund	\$4,223,721	\$4,281,842	\$4,264,413	\$(17,429)	\$4,183,035	\$4,241,703	\$ 58,668	0.96
State Special Revenue	424,667	504,366	487,656	(16,710)	504,560	487,739	(16,821)	14.83
Federal Revenue	8,858	23,600	40,963	17,363	0	0	0	362.44
TOTAL FUNDING	\$4,657,246	\$4,809,808	\$4,793,032	\$(16,776)	\$4,687,595	\$4,729,442	\$ 41,847	2.92

Program Description: The judicial branch of state government is provided for in Article III, Section I and Article VII of the Montana Constitution. In Section II of Article VII, the jurisdiction of the Supreme Court is defined. That jurisdiction consists of all appellate jurisdiction and original jurisdiction in petitions for writs of habeas corpus and other such writs, general supervisory control over all courts, and rule making powers of Montana's courts.

Budget: The budget for the Judiciary provides for a 2.9 percent increase from fiscal 1986 to fiscal 1988.

Personal services increase 3.3 percent, due to the pay plan increase, actual vacancy savings in excess of the amount budgeted in fiscal 1986, and the addition of 1.0 FTE in the law library on a one-time basis to implement the Helena FAXNET project. A 0.5 FTE clerical position was deleted in the water courts. Vacancy savings of 4 percent was applied to all programs with the exception of elected officials, which are the Supreme Court justices and District Court judges.

Operating expenses are up 6 percent, or \$48,560, from fiscal 1986 to fiscal 1988. Operating expenses decrease in three programs for a total of \$17,080, due predominantly to removal of one-time expenses. Law library operating expenses increase \$5,480 for anticipated volume increases, and \$14,057 for one-time costs associated with the Helena

FAXNET project. The net decrease in operating expenses for the other programs was offset by an increase of \$46,100, or 48 percent, in the Water Courts Program for anticipated workload increases.

Ninety-six percent of the equipment budget is for books and reference material for the law library.

Funding: The Judiciary is funded by general fund with the exceptions of the Water Courts Program, which is funded by the Water Development State Special Revenue Account, and of the Westlaw legal research service in the State Law Library, which is funded by a state special account that receives reimbursement from all service users. The 14.8 percent increase in state special revenue funds is due primarily to the increased budget for the Water Courts Program. Funding of \$40,963 from a private grant is included in fiscal 1988 for one-time expenses to implement the Helena FAXNET project.

Difference From Executive: The approved budget differs from the executive recommendation by less than 1 percent in either year of the biennium. The major increases in personal services over the executive level include approximately \$37,000 per year to raise compensation to the 1987 pay level to be consistent with the executive branch, \$27,000 in fiscal 1988 for a temporary FTE in the law library to complete the FAXNET project, and \$113,750 in fiscal 1989 to continue funding of a seven member supreme court as approved by the legislature with passage of Senate Bill 161. Reductions in operating expenses recommended by the executive were due to disallowance of funding to reduce the backlog in printing back issues of the "Montana Reports," disallowance of increases for continuing legal education for the district court judges, and reductions in recommended operating level increases in the water courts. Equipment allowance decreases were due to disallowance of any equipment purchases for the water courts and holding book allowances for the State Law Library at fiscal 1986 levels.



AGENCY: JUDICIARY

## LEGISLATIVE ACTION

PROGRAM: SUPREME COURT OPERATIONS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	32.00	32.00	32.00	0.00	28.50	32.00	3.50	0.00
Personal Services	\$1,007,703	\$1,006,151	\$1,028,563	\$ 22,412	\$ 894,439	\$1,028,807	\$134,368	2.07
Operating Expenses	306,738	322,143	293,665	(28,478)	312,504	282,960	(29,544)	-4.26
Equipment	29,118	8,050	8,050	0	0	0	0	-72.35
TOTAL EXPENSES	\$1,343,559	\$1,336,344	\$1,330,278	\$ (6,066)	\$1,206,943	\$1,311,767	\$104,824	-0.99
GENERAL FUND	\$1,343,559	\$1,336,344	\$1,330,278	\$ (6,066)	\$1,206,943	\$1,311,767	\$104,824	-0.99

**Program Description:** The Supreme Court is the appellate court in the State of Montana. The Supreme Court also has original jurisdiction to issue, hear, and determine writs of habeas corpus and other writs as provided by law. The Supreme Court Operations Program relates specifically to the day-to-day operations of the court.

**Budget:** The budget provides for a 1 percent decrease from fiscal 1986 to fiscal 1988. Personal services increase primarily due to the pay plan increase to the fiscal 1987 matrix to be consistent with the executive and legislative branches. Four percent vacancy savings was taken on this program, except on elected officials' salaries. The budget provides funding for a seven justice court. Operating expenses are decreased 4.3 percent, primarily due to removal of one-time expenditures for systems development costs of \$34,000. This reduction was partially offset by increases of \$3,700 in dues for the National Center for State Courts and inclusion of the biennial audit fee in fiscal 1988 of \$15,466. The legislature did not fund \$22,300 per year for the printing of a backlog in the "Montana Reports." Equipment costs include \$3,580 for the balance of the payment for the upgrade of the Statewide Judicial Information System and \$4,470 for a computer and software to be used for word processing and budget analysis in court administration.

#### Modifieds Approved:

1. Seven Justice Court - A modified request was approved to provide continued funding for a seven justice court through the 1989 biennium. Two Supreme Court justices, four law clerks, and one secretary were scheduled to sunset on December 31, 1988. The modified provides general fund of \$113,749 to provide funding for the two justices and their staff for the last six months of fiscal 1989.

Other Legislation:

1. Senate Bill 161 - Seven Member Supreme Court - The legislature approved the extension of the sunset provision for two temporary associate supreme court justices for an additional eight years. Therefore, funding for the seven justice court was included in House Bill 2 for the entire biennium as discussed above.

Difference From Executive: The legislature approved the following adjustments to the executive budget in fiscal 1988: 1) increase personal services \$2,650 for additional health insurance costs; 2) pay plan increase to the 1987 pay matrix, \$19,750; 3) elimination of \$22,300 per year to fund printing of a backlog in the "Montana Reports"; 4) elimination of \$7,200 of one-time systems development costs; and 5) increase audit fees by \$1,050. For fiscal 1989, the legislature approved an additional \$113,750 over the executive budget to fund a seven justice supreme court for the entire biennium.

AGENCY: JUDICIARY

LEGISLATIVE ACTION

PROGRAM: BOARDS AND COMMISSIONS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	3.00	3.00	3.00	0.00	3.00	3.00	0.00	0.00
Personal Services	\$ 46,369	\$ 73,233	\$ 68,378	\$ (4,855)	\$ 73,101	\$ 68,240	\$ (4,861)	47.46
Operating Expenses	117,258	127,711	114,541	(13,170)	127,751	113,383	(14,368)	-2.32
Equipment	756	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$164,383	\$200,944	\$182,919	\$ (18,025)	\$200,852	\$181,623	\$ (19,229)	11.28
GENERAL FUND	\$164,383	\$200,944	\$182,919	\$ (18,025)	\$200,852	\$181,623	\$ (19,229)	11.28

Program Description: The Montana Constitution assigns a number of duties to the Supreme Court. These duties include, but are not limited to, supervision over all other courts, development of rules for appellate procedure, establishment of appropriate practice and procedure for all other courts, plus rulemaking for admissions to the bar and member conduct. The majority of these duties are accomplished by 11 active boards and commissions which are a part of the Supreme Court. Other duties are accomplished by the Supreme Court staff and by temporary boards and commissions.

Budget: The budget provides for an 11.3 percent increase from fiscal 1986 to fiscal 1988, primarily due to funding of a 0.5 FTE budget and finance officer position at a cost of \$15,800 that had been vacant during all of fiscal 1986 and the addition of a 0.5 FTE clerical position at a cost of \$9,750 to do work for the Commission on Political Practices that was previously a contracted service. The budget and finance officer position was reduced from a 1.0 FTE position. Four percent vacancy savings was applied to this program. Operating costs decrease due to removal of \$10,350 of consulting and professional services from fiscal 1986 levels and replacement with a 0.5 FTE clerical position. This reduction was partially offset by a \$7,700 increase for statutorily mandated training costs for the Courts of Limited Jurisdiction, and an additional \$1,200 to the Judicial Nominations Committee for water court appointments.

Other Legislation:

1. House Bill 754 - Water Court Appointments - The legislature approved an act changing the chief water judge appointment process to expand the population of eligible candidates and to include a Judicial Nomination Commission



process. House Bill 754 appropriated \$1,200 general fund to the Boards and Commissions Program to fund the expenses of the Judicial Nomination Commission in making water court appointments.

Difference From Executive: The budget approved by the legislature included the following differences from the executive budget in fiscal 1988: 1) approved a pay plan increase of \$1,900 to the fiscal 1987 pay matrix; 2) approved an additional 0.5 FTE clerical position at \$9,750 to do secretarial work for the Commission on Political Practices which used to be a contracted service; 3) reduced a vacant budget and finance officer position from a full time to a half-time position for a savings of \$16,500; 4) reduced legal fees \$2,800; 5) reduced contract services \$11,000 to bring the appropriation to historical levels; and 6) appropriated \$1,200 in House Bill 754 for the Judicial Nominations Commission.



**Funding:** The state special revenue account is for reimbursements for the on-line reference service, Westlaw. Fees for this service are based on the amount charged by the vendor with no markup. The FAXNET project is funded by a private charitable trust. The balance of the law library budget is funded by general fund.

Modifieds Approved:

1. Helena FAXNET Project - A modified request was approved for implementation of the Helena FAXNET project. Funding is provided by a grant from the Fred Meyer trust. The total grant was \$134,600, and \$93,637 was included in the 1987 biennium by budget amendment. The balance, \$40,963, is budgeted in fiscal 1988. The funds are to be used to establish and operate a rapid document delivery system in Montana, using telephone telefacsimile equipment to transmit library documents to network users.

Difference From Executive: The budget approved by the legislature is 8 percent higher in fiscal 1988 than the executive recommendation, primarily due to the approved modified budget of \$40,963 for the Helena FAXNET project not included in the executive budget. Personal services were increased approximately \$5,000 each year for pay increases to the fiscal 1987 pay plan, and \$26,900 in fiscal 1988 only for 1.0 FTE to complete the Helena FAXNET project. Operating expenses increase \$14,057 over the executive level for the Helena FAXNET project, but this increase was partially offset by a reduction of \$3,680 to reduce online service fee expenditures for legal research databases back to fiscal 1986 levels, and a \$900 reduction in supplies and materials. An additional \$3,660 offsetting difference between operating expenses and equipment is due to a difference in classification of a computer system upgrade.



AGENCY: JUDICIARY	LEGISLATIVE ACTION						PROGRAM: DISTRICT COURT OPERATIONS		
	BUDGET ITEM	FY 1986 Actual	Executive	Fiscal 1988 Legislature	Difference	Executive	Fiscal 1989 Legislature	Difference	FY 86-88 % Change
	FTE	36.00	36.00	36.00	0.00	36.00	36.00	0.00	0.00
	Personal Services	\$2,072,790	\$2,097,347	\$2,097,347	\$ 0	\$2,099,742	\$2,099,742	\$ 0	1.18
	Operating Expenses	143,853	160,248	142,562	(17,686)	163,988	146,457	(17,531)	-0.90
	TOTAL EXPENSES	\$2,216,643	\$2,257,595	\$2,239,909	\$(17,686)	\$2,263,730	\$2,246,199	\$(17,531)	1.05
	GENERAL FUND	\$2,216,643	\$2,257,595	\$2,239,909	\$(17,686)	\$2,263,730	\$2,246,199	\$(17,531)	1.05

Program Description: The District Court Operations Program allocates monies to pay salaries, travel, and training expenses for district judges.

Budget: The budget provides for a 1 percent increase from fiscal 1986 to fiscal 1988, due to an increase in personal services. Personal services increase due to an additional paid day in fiscal 1988 over fiscal 1986, and due to a slight increase in benefits. No vacancy savings is budgeted in this program. Operating expenses decrease slightly due to removal of various one-time costs in fiscal 1986.

Difference From Executive: The approved budget differs from the executive recommendation only in operating expenses, because the legislature did not approve an increase of \$15,900 per year for continuing legal education for the judges and did not approve an increase of \$1,400 per year for gasoline costs.

AGENCY: JUDICIARY

LEGISLATIVE ACTION

PROGRAM: WATER COURTS SUPERVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	13.50	13.00	13.00	0.00		13.00	13.00	0.00		-0.50
Personal Services	\$298,157	\$312,751	\$326,908	\$ 14,157		\$312,197	\$326,307	\$ 14,110		9.64
Operating Expenses	96,572	155,715	142,673	(13,042)		156,463	143,357	(13,106)		47.74
Equipment	12,157	17,500	0	(17,500)		17,500	0	(17,500)		-100.00
TOTAL EXPENSES	\$406,886	\$485,966	\$469,581	\$(16,385)		\$486,160	\$469,664	\$(16,496)		15.41
STATE SPECIAL REVENUE	\$406,886	\$485,966	\$469,581	\$(16,385)		\$486,160	\$469,664	\$(16,496)		15.41

Program Description: The Water Courts Program staff is responsible for the adjudication of claims of existing water rights in Montana and for supervision of the distribution of water among the four water divisions.

Budget: The budget provides for an increase of 15.4 percent from fiscal 1986 to fiscal 1988. The increase is due primarily to an anticipated increase in the level of activity of the court. For the 1987 biennium, much of the work of the court has been tied up in litigation in the Supreme Court. Personal services increase 0.6 percent primarily due to a pay plan increase and actual vacancy savings in fiscal 1986 being higher than budgeted, partially offset by the reduction of a 0.5 FTE clerical position at the agency's request. Paraprofessional position hours were down approximately 70 percent in fiscal 1986, while water master hours were down 10 percent. Clerical position vacancy savings was offset by overtime hours. Vacancy savings of 4 percent is applied to this program. The 17.3 percent increase in operating expenses is also due primarily to an anticipated workload increase, requiring additional travel, contract services for outside court reporting services, advertising notices for legal filings, and office supplies.

Funding: Funding for the Water Courts Program comes from the Water Development State Special Revenue Account.

Difference From Executive: The approved budget is 3 percent less than the executive recommendation, due to reductions in operating expenses and equipment allowances. Personal services were higher due to legislative approval of the pay plan increase to the fiscal 1987 pay level. Operating expense increases recommended by the Governor for travel and rent were reduced. Equipment requests recommended by the Governor for word processing equipment and phone system expansion also were not approved.

AGENCY: GOVERNOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	64.08	61.40	60.40	-1.00		61.90	60.90	-1.00		-3.68
Personal Services	\$1,915,316	\$2,000,344	\$1,943,294	\$(57,050)		\$2,012,039	\$1,955,130	\$(56,909)		1.46
Operating Expenses	910,065	951,291	1,186,080	234,789		972,680	937,705	(34,975)		30.33
Equipment	46,205	8,575	6,365	(2,210)		2,875	2,875	0		-86.22
Non-Operating	0	1,300,000	1,300,000	0		1,300,000	1,300,000	0		0
TOTAL EXPENSES	\$2,871,586	\$4,260,210	\$4,435,739	\$175,529		\$4,287,594	\$4,195,710	\$(91,884)		54.47
FUNDING										
General Fund	\$2,229,960	\$2,228,172	\$2,168,868	\$(59,304)		\$2,255,439	\$2,166,936	\$(88,503)		-2.74
State Special Revenue	63,847	1,590,000	1,828,220	238,220		1,590,000	1,590,000	0		2763.44
Federal Revenue	504,029	442,038	438,651	(3,387)		442,155	438,774	(3,381)		-12.97
Other Revenue	73,750	0	0	0		0	0	0		-100.00
TOTAL FUNDING	\$2,871,586	\$4,260,210	\$4,435,739	\$175,529		\$4,287,594	\$4,195,710	\$(91,884)		54.47

**Program Description:** The Governor has constitutional and statutory authority to administer the affairs of the State of Montana; assure that the laws of Montana are faithfully executed; appoint all military and civil officers of the state whose appointments are provided for by statute or the Constitution; approve or disapprove legislation; report to the legislature on the condition of the state; submit a biennial executive budget; grant reprieves and pardons within the best interests of Montana; serve on various boards and commissions as provided by the Constitution and statutes; and represent the state in relations with other governments, the public, and various organizations of states.

**Budget:** The budget provides a 54.5 percent increase from fiscal 1986 to fiscal 1988 because \$1,738,220 was included in fiscal 1988 for the Statehood Centennial Office while \$45,847 was spent in the Centennial Office in fiscal 1986. The large expenditure increase in the Centennial Office was authorized in anticipation of the statehood centennial celebration in fiscal 1989. Without this large increase in the statehood office, the change in expenditures between fiscal 1986 and fiscal 1988 is a 6.1 percent decrease.



Full time equivalent positions decrease overall 3.68 FTE from fiscal 1986 to fiscal 1988. The decrease is attributable to decreases made by the agency in response to the fiscal 1987 pay plan cuts (3.68 FTE), voluntary reductions made by the Northwest Power Planning Council (2.0 FTE), and cuts made by the legislature in the Lieutenant Governor's Office (1.0 FTE). Three FTE were added to the Statehood Centennial Office.

Operating expense increases were allowed in the Northwest Power Planning Council to retain the services of experts with specialized skills in the areas of electric energy planning, conservation technology, and fish and wildlife protection and restoration.

Non-operating expenses are grants allocated for as-yet undetermined statehood centennial activities. These may take the form of grants or contracts with local or regional entities, or may be transferred into office operations to fund office sponsored or directed activities.

Funding: The Governor's Office is funded from general fund, state special revenue, and federal revenue. The state special revenue includes \$90,000 annually from Resource Indemnity Trust funds for a portion of the Clark Fork River Project in the Executive Office. The remaining \$1,500,000 state special revenue is for the Statehood Centennial Office and is from donations and centennial revenue-raising projects. In fiscal 1988, \$238,220 of loan authority is added from the Junk Vehicle Disposal Account and the Crime Victim's Compensation Account for the Statehood Centennial Commission.

Federal revenue is used to support the Clark Fork River Project and the Client Assistance Program in the Executive Office and completely supports the Northwest Power Planning Council.

General fund supports all remaining functions of the Governor's Office and is budgeted to decrease 2.7 percent from fiscal 1986 to fiscal 1988 and decrease 0.1 percent from fiscal 1988 to fiscal 1989.

Difference From Executive: The budget is 4.1 percent above the executive recommendation in fiscal 1988 and 2.1 percent lower in fiscal 1989. Personal services are reduced due to elimination of a personal staff position in the Lieutenant Governor's Office, a downgrade of two positions in the Office of Budget and Program Planning, and applying the 4 percent vacancy savings to elected officials. Operating expenses increase in fiscal 1988 due primarily to the approval of \$238,220 loan authority in House Bill 849 for the Statehood Centennial Commission. Operating expenses decrease in fiscal 1989 primarily due to the elimination of contingency funds in the Executive Office and the Lieutenant Governor's Office, and elimination of proposed increases in flying hours for the Governor's Air Transportation Program.

AGENCY: GOVERNOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: EXECUTIVE OFFICE PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	24.68	23.00	23.00	0.00	23.00	23.00	0.00	-1.68
Personal Services	\$ 758,612	\$ 744,965	\$ 742,602	\$ (2,363)	\$ 745,780	\$ 743,462	\$ (2,318)	-2.11
Operating Expenses	452,554	416,862	423,441	6,579	406,495	387,185	(19,310)	-6.43
Equipment	4,824	5,700	3,490	(2,210)	0	0	0	-27.65
TOTAL EXPENSES	\$1,215,990	\$1,167,527	\$1,169,533	\$ 2,006	\$1,152,275	\$1,130,647	\$ (21,628)	-3.82
FUNDING								
General Fund	\$1,023,807	\$ 952,527	\$ 957,920	\$ 5,393	\$ 937,275	\$ 919,028	\$ (18,247)	-6.44
State Special Revenue	18,000	90,000	90,000	0	90,000	90,000	0	400.00
Federal Revenue	174,183	125,000	121,613	(3,387)	125,000	121,619	(3,381)	-30.18
TOTAL FUNDING	\$1,215,990	\$1,167,527	\$1,169,533	\$ 2,006	\$1,152,275	\$1,130,647	\$ (21,628)	-3.82

**Program Description:** The Executive Office program is responsible for overseeing and directing the activities of the executive branch of government, ensuring responsible and responsive government for Montana. Special projects assigned to the executive office in the 1989 biennium include the Flathead Basin Commission, the Aging Services Coordinator, the Client Assistance Program, and the Clark Fork River Basin Project.

**Budget:** The budget includes 4 percent vacancy savings applied to all positions including the elected official. Full time equivalent positions have been reduced 1.68 since fiscal 1986. The reductions, made in response to the fiscal 1987 cutbacks, included 0.18 FTE for the Coal Tax Advocacy, a 1.0 FTE office manager, and a 0.5 FTE professional staff responsible for human service areas.

The executive office contains funding for several special projects which are listed in Table 1. Funding for these projects comes from the general fund, state special funds, and federal funds as delineated on the table.



Table 1  
Special Projects Included in Executive Office Program  
1989 Biennium

<u>Project</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fund Type</u>
Aging Services Coordinator	\$40,057	\$40,279	General
Flathead Basin Commission	19,845	19,845	General
Clark Fork River Basin	90,000	90,000	State Special
	46,613	46,619	Federal
Client Assistance Program	75,000	75,000	Federal

The budget also includes a biennial, line-itemed \$25,000 general fund appropriation as a contingency fund. This appropriation is to be used for unforeseen "bureaucratic" emergencies.

The budget includes \$8,190 annually, line-itemed, for state membership to the Uniform State Laws Commission.

Legislative audit costs of \$12,889 are included in fiscal 1988.

The equipment authorized in fiscal 1988 includes two replacement typewriters (\$930), software (\$650), computer hardware upgrade (\$935), and replacement of a graphics printer (\$975). No equipment was authorized in fiscal 1989.

Funding: The state special revenue funds are Resource Indemnity Trust funds used for the Clark Fork River Project. Federal funds are from the U.S. Department of Education and are used for the Client Assistance Program. The remaining federal funds, approximately \$46,600 annually, are used for the Clark Fork River Project.

Difference From Executive: The approved budget includes only minor adjustments to the executive recommendation. Personal services were reduced to include vacancy savings of 4 percent across the board, including the elected official's salary. Operating expenses increased \$8,190 per year to fund state membership and participation in the Uniform State Laws Commission, and \$989 in fiscal 1989 only for increased audit fees to fund the statewide audit. Operating expenses were decreased \$2,500 in fiscal 1988 and \$27,500 in fiscal 1989 to reduce the amount of the executive contingency fund from the requested \$27,500 per year to a \$25,000 biennial appropriation in fiscal 1988. Equipment was reduced in fiscal 1988 due to disapproval of a personal computer purchase, but was partially replaced with authority for an upgrade of the existing computer system, plus a new printer, software, and typewriters.

Other Legislation:

1. House Bill 867 - Supercollider Task Force - The legislature appropriated funds to the Governor's Office for establishment of a nine member Supercollider Task Force, data collection, proposal preparation, and related actions in support of Montana as the location for the superconducting supercollider research facility proposed by the U.S.



Department of Energy. The bill appropriates \$300,000 general fund for the first phase of the federal site selection process, plus spending authority for any amount of matching funds donated by the public. There must be a \$1 match for every \$3 of general fund spent. The appropriation is a fiscal 1987 appropriation, with carryover authority through fiscal 1988. No expenditures may be made after fiscal 1988 unless Montana is still in consideration for the site, and once Montana is no longer in consideration, the remaining balance of the appropriation will revert to the general fund.

BUDGET ITEM	FY 1986 Actual	LEGISLATIVE ACTION						PROGRAM: MANSION MAINTENANCE PROGRAM	
		Fiscal 1988			Fiscal 1989			Difference	FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference		
FTE	2.15	1.90	1.90	0.00	1.90	1.90	0.00		-0.25
Personal Services	\$33,503	\$37,052	\$37,052	\$0	\$37,087	\$37,087	\$0		10.59
Operating Expenses	21,847	23,587	23,587	0	24,515	24,515	0		7.96
Equipment	170	0	0	0	0	0	0		-100.00
TOTAL EXPENSES	\$55,520	\$60,639	\$60,639	\$0	\$61,602	\$61,602	\$0		9.22
GENERAL FUND	\$55,520	\$60,639	\$60,639	\$0	\$61,602	\$61,602	\$0		9.22

Program Description: The staff of the Mansion Maintenance Program maintains the Governor's official residence.

Budget: The budget provides funding for this program at the fiscal 1986 operating expense level with allowances for utility cost increases, as recommended by the executive. Personal services increase 10.6 percent from fiscal 1986 to fiscal 1988 as approximately 12 percent vacancy savings was experienced in fiscal 1986 and 4 percent is applied in each year of the 1989 biennium. A 0.25 FTE custodial worker is reduced from fiscal 1986 to the 1989 biennium due to fiscal 1987 cutbacks.

Funding: This program is funded from the general fund.

AGENCY: GOVERNOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: AIR TRANSPORTATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	1.00	1.00	1.00	0.00		1.00	1.00	0.00		0.00
Personal Services	\$31,935	\$ 32,408	\$32,408	\$ 0		\$ 32,536	\$32,536	\$ 0		1.48
Operating Expenses	59,009	69,094	63,340	(5,754)		71,853	66,688	(5,165)		7.34
Equipment	199	0	0	0		0	0	0		-100.00
TOTAL EXPENSES	\$91,143	\$101,502	\$95,748	\$(5,754)		\$104,389	\$99,224	\$(5,165)		5.05
GENERAL FUND	\$91,143	\$101,502	\$95,748	\$(5,754)		\$104,389	\$99,224	\$(5,165)		5.05

Program Description: The Air Transportation Program is responsible for providing the Governor with safe and reliable air transportation.

Budget: The budget provides operating expenses in the 1989 biennium to allow for approximately 215 hours of flying time. This is approximately the same number of hours of flying time as fiscal 1986. The budget includes funding for 1.0 FTE pilot. Four percent vacancy savings was applied in the 1989 biennium. Co-pilot services, budgeted at \$2,800 each year, are obtained on contract. The budget includes \$28,152 in fiscal 1988 and \$30,129 in fiscal 1989 for aircraft maintenance. In fiscal 1986, \$28,836 was spent for this purpose.

Funding: This program is funded from the general fund.

Difference From Executive: The approved budget is 5 percent lower than the executive recommendation to eliminate a recommended increase in flying time over 1986 levels, including increases in gasoline and co-pilot services.



AGENCY: GOVERNOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: OFFICE OF BUDGET AND PROGRAM PLANNING

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	18.25	16.50	16.50	0.00		17.00	17.00	0.00		-1.75
Personal Services	\$523,504	\$565,710	\$549,223	\$(16,487)		\$576,854	\$560,402	\$(16,452)		4.91
Operating Expenses	176,609	119,075	125,319	6,244		146,707	146,707	0		-29.04
Equipment	39,168	1,875	1,875	0		1,875	1,875	0		-95.21
TOTAL EXPENSES	\$739,281	\$686,660	\$676,417	\$(10,243)		\$725,436	\$708,984	\$(16,452)		-8.50
FUNDING										
General Fund	\$665,531	\$686,660	\$676,417	\$(10,243)		\$725,436	\$708,984	\$(16,452)		1.64
Other Revenue	73,750	0	0	0		0	0	0		-100.00
TOTAL FUNDING	\$739,281	\$686,660	\$676,417	\$(10,243)		\$725,436	\$708,984	\$(16,452)		-8.50

Program Description: The Office of Budget and Program Planning assists the Governor in the planning, preparation, and administration of the state budget; the development and evaluation of alternative program plans for the provision of state government services; and the examination of methods of providing services to the citizens of Montana.

Legislative Intent: Boilerplate language was approved which provides that any funds remaining in the proprietary fund used by OBPP in the 1987 biennium for the statewide audit shall be transferred to the general fund to partially offset the statewide audit costs in the Legislative Auditor's office in the 1989 biennium.

Language was also approved which gives OBPP authority to establish transfer appropriations for vocational technical centers and university units within the appropriate agency distribution program to allow compliance with proper accounting of current unrestricted operations.

Budget: The budget provides an 8.5 percent reduction in total expenditures from fiscal 1986 to fiscal 1988. Full time equivalent positions are reduced 1.75 FTE from fiscal 1986 to fiscal 1988 and 1.25 from fiscal 1986 to fiscal 1989. A 1.0 FTE budget analyst and a 0.25 FTE administrative clerk were eliminated in both years of the 1989 biennium as part of the agency's 5 percent cut. In addition, the agency requested a 0.5 FTE word processing operator be eliminated

in non-session years. Personal services increase between fiscal 1986 and fiscal 1988 because the office experienced 18 percent vacancy savings in fiscal 1986 while the subcommittee applied 4 percent vacancy savings to all positions in the 1989 biennium.

Operating expenses decrease primarily because the statewide audit costs have been transferred to the Legislative Auditor's Office in the 1989 biennium. The Office of Budget and Program Planning had transferred \$73,750 of non-general fund revenues to the Legislative Auditor's Office in fiscal 1986 for this purpose.

Equipment authorized for the 1989 biennium included \$1,875 each year for software upgrades.

Funding: The office is funded from general fund.

Difference From Executive: The approved budget includes only minor adjustments to the executive recommendation. Personal services were reduced due to a downgrade of two positions. Operating expenses were higher in fiscal 1988 due to an audit fee increase of \$1,244, and the addition of \$5,000 for travel and other expenses related to participation in a university funding study with the Legislative Fiscal Analyst and the Commissioner of Higher Education.

AGENCY: GOVERNOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: NORTHWEST POWER PLANNING COUNCIL

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	7.00	5.00	5.00	0.00		5.00	5.00	0.00		-2.00
Personal Services	\$237,536	\$198,417	\$198,417	\$0		\$198,536	\$198,536	\$0		-16.47
Operating Expenses	90,499	117,621	117,621	\$0		117,619	117,619	0		29.97
Equipment	1,811	1,000	1,000	\$0		1,000	1,000	0		-44.78
TOTAL EXPENSES	\$329,846	\$317,038	\$317,038	\$0		\$317,155	\$317,155	\$0		-3.88
FEDERAL REVENUE	\$329,846	\$317,038	\$317,038	\$0		\$317,155	\$317,155	\$0		-3.88

Program Description: The Northwest Power Planning Council was created in 1981, pursuant to the Pacific Northwest Electric Power Planning and Conservation Act of 1980. The Council is charged with the development of a 20 year electric energy plan that will provide an efficient and adequate electric power supply for consumers in the pacific northwest and will encourage conservation and development of natural resources.

Budget: The budget reflects a 2.0 FTE reduction from fiscal 1986 which was proposed by the agency as a cost savings measure. Four percent vacancy savings was applied to the remaining 5.0 FTE. Contracted services were increased \$17,236 from fiscal 1986 to fiscal 1988 primarily to allow the council to retain the services of experts with specialized skills in the areas of electric energy planning, conservation technology, and fish and wildlife protection and restoration. Out-of-state travel was increased \$4,621 as the council anticipates increases in both the volume and the cost of travel in the 1989 biennium.

Funding: The council is funded 100 percent from the Bonneville Power Administration, a federal agency.



AGENCY: GOVERNOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: LIEUTENANT GOVERNOR

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	6.00	6.00	5.00	6.00	5.00	-1.00
Personal Services	\$191,251	\$202,112	\$163,912	\$201,855	\$163,716	-\$38,139
Operating Expenses	36,847	47,826	37,326	48,028	37,528	(10,500)
TOTAL EXPENSES	\$228,098	\$249,938	\$201,238	\$249,883	\$201,244	-\$48,639
GENERAL FUND	\$228,098	\$249,938	\$201,238	\$249,883	\$201,244	-\$48,639
						-11.78

Program Description: The Lieutenant Governor is responsible for performing the duties provided by law and those delegated to him by the Governor. Current priorities include infrastructure issues and the local voter review process. The office also handles supervision of Intergovernmental Review Clearinghouse operations, planning for Statehood Centennial activities, and occasional special projects.

Budget: The budget reflects a 12 percent reduction as 1.0 FTE personal staff was deleted. This position, which was responsible for local government relations, was paid approximately \$32,000 in fiscal 1986 while the 1985 legislature had budgeted it for approximately \$19,500. Agency testimony during budget hearings indicated the office would have little recourse other than vacating the position if it was forced to reduce the salary to the level approved by the 1985 legislature. Therefore, the position was deleted. Four percent vacancy savings was applied to all positions, including the elected official, in the 1989 biennium.

Funding: The Lieutenant Governor's office is funded from the general fund.

Difference From Executive: The budget is 19.5 percent below the executive recommendation. Personal services were reduced due to elimination of the 1.0 FTE personal staff position responsible for local government relations, and due to application of 4 percent vacancy savings to the elected official position. Operating expenses were reduced due to elimination of a \$10,500 executive contingency appropriation recommended by the executive.

AGENCY: GOVERNOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: CITIZENS' ADVOCATE OFFICE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	1.00	1.00	1.00	1.00	1.00	0.00
Personal Services	\$32,573	\$31,575	\$31,575	\$31,518	\$31,518	-3.06
Operating Expenses	16,065	16,052	16,052	16,052	16,052	-0.08
TOTAL EXPENSES	\$48,638	\$47,627	\$47,627	\$47,570	\$47,570	-2.08
GENERAL FUND	\$48,638	\$47,627	\$47,627	\$47,570	\$47,570	-2.08

Program Description: The Citizen's Advocate Office gives Montana's citizens ready access to state government. The public contacts the office by toll-free telephone to obtain information, make suggestions, air complaints, and ask for assistance with problems regarding state government.

Budget: The budget allows for services to be continued at the fiscal 1986 level into the 1989 biennium as recommended by the executive. The personal services reduction between fiscal 1986 and fiscal 1988 results from 4 percent vacancy savings being applied to the 1.0 FTE in this program. As other programs experienced greater than 4 percent vacancy savings in fiscal 1986, it is expected that any vacancy savings shortfall in this program will be absorbed by other programs within the governor's office.

Funding: This program is funded from the general fund.

AGENCY: GOVERNOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: MENTAL DISABILITIES BOARD OF VISITORS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	3.00	3.00	0.00	3.00	0.00	0.00
Personal Services	\$ 79,844	\$ 89,933	\$0	\$ 89,865	\$0	12.64
Operating Expenses	37,346	39,346	0	39,419	0	5.36
Equipment	33	0	0	0	0	-100.00
TOTAL EXPENSES	\$117,223	\$129,279	\$0	\$129,284	\$0	10.28
GENERAL FUND	\$117,223	\$129,279	\$0	\$129,284	\$0	10.28

Program Description: The Mental Disabilities Board of Visitors, established by Section 2-15-211, MCA, protects the rights of the mentally ill and the developmentally disabled by reviewing the care and treatment provided by those community mental health centers and state institutions which serve this population. The board also provides legal services for the residents at those institutions.

Budget: The budget is as recommended by the executive and provides a 10 percent increase to allow increases in personal services and operating expenses. The program experienced over 8 percent vacancy savings in fiscal 1986, while the legislature applied a 4 percent vacancy savings rate in the 1989 biennium. This caused the 12.6 percent personal services increase between fiscal 1986 and fiscal 1988.

The operating expense increase is due primarily to a \$1,425 increase for contracted services related to on-site facility reviews and a \$263 increase in supplies and travel for the legal services unit.

Funding: This program is funded from the general fund.



AGENCY: GOVERNOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: STATEHOOD CENTENNIAL OFFICE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	1.00	4.00	4.00	0.00	4.00	4.00	0.00	3.00
Personal Services	\$26,558	\$ 98,172	\$ 98,172	\$ 0	\$ 98,008	\$ 98,008	\$ 0	269.65
Operating Expenses	19,289	101,828	340,048	238,220	101,992	101,992	0	1662.91
Non-Operating	0	1,300,000	1,300,000	0	1,300,000	1,300,000	0	
TOTAL EXPENSES	\$45,847	\$1,500,000	\$1,738,220	\$238,220	\$1,500,000	\$1,500,000	\$0	3691.35
STATE SPECIAL REVENUE	\$45,847	\$1,500,000	\$1,738,220	\$238,220	\$1,500,000	\$1,500,000	\$0	3691.35

Program Description: The 1985 Legislature created the Montana Statehood Centennial Commission. The purpose of the commission is to encourage the commemoration and celebration of Montana's 100th anniversary of statehood in 1989.

Budget: In anticipation of the statehood centennial celebration in 1989, a large expansion in this program's budget was approved. Three FTE were added to the program between fiscal 1986 and fiscal 1988 to help with the centennial celebration fund raising and other activities. Grants, included in the table as non-operating expenses, represent the entire amount allocated for as-yet undetermined centennial activities. These may take the form of grants or contracts with local or regional entities, or may be transferred into office operations to fund office sponsored or directed activities.

Funding: The funding for this program is from donations and centennial revenue-raising projects.

Other Legislation:

1. House Bill 849 - Statehood Centennial Office Loan Authority - The legislature approved the appropriation of loan authority from the crime victim's and the junk vehicle disposal state special revenue accounts, and appropriation of centennial activity proceeds. The bill also extended appropriation authority for repayment of loans authorized in the office's 1985 appropriation to June 30, 1989. The 1989 biennium appropriation is for \$119,110 on loan from each of two accounts, the Crime Victim's Compensation Account, and the Junk Vehicle Disposal Account, for a total of \$238,220. The loans are for centennial activities and program administration, and are to be repaid from centennial activity proceeds.

Difference From Executive: The only adjustment to the executive recommendation was the addition of the biennial loan appropriation authority of \$238,220 in fiscal 1988 provided by House Bill 849.

AGENCY: SECRETARY OF STATE

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	35.00	28.50	27.50	28.50	27.50	-7.50
						-1.00
Personal Services	\$ 677,723	\$ 617,435	\$ 590,479	\$ 616,665	\$ 589,901	-\$26,764
Operating Expenses	460,024	527,519	506,058	483,926	464,261	(19,665)
Equipment	16,435	0	0	0	0	0
Non-Operating	30,600	63,600	0	63,600	0	(63,600)
TOTAL EXPENSES	\$1,184,782	\$1,208,554	\$1,096,537	\$1,166,191	\$1,054,162	-\$110,029
FUNDING						
General Fund	\$ 861,923	\$ 768,950	\$ 519,057	\$ 770,088	\$ 521,931	-\$248,157
State Special Revenue	322,859	439,604	577,480	394,103	532,231	138,128
TOTAL FUNDING	\$1,184,782	\$1,208,554	\$1,096,537	\$1,166,191	\$1,054,162	-\$110,029
						-7.45

Program Description: The Office of the Secretary of State was established by Article VI, Section 1, of the Montana Constitution and its duties are set forth in Title 2, Part 4, of the Montana Code Annotated (MCA). It is primarily a record keeping office which files, maintains, and preserves the permanent records of the state and certain public interest records of private citizens. The office also publishes the Montana Administrative Register (MAR) and the Administrative Rules of Montana (ARM).

Budget: The budget for the agency provides for a net budget decrease of 7.4 percent from fiscal 1986 to fiscal 1988. Personal services decrease 12.9 percent, due to the net reduction of 7.5 FTE in the Records Management Program from fiscal 1986 to fiscal 1988. The FTE reductions were made due to one-time start up costs and due to efficiency from records automation. Operating expenses increase a net 10 percent, even though they are decreased in the Records Management Program due to removal of one-time expenses for systems development and completion of a Uniform Commercial Code microfilming project. Those decreases are offset by increases in the Agricultural Lien Program costs and in the Administrative Code Program for a reprint of the ARM manual. Non-operating costs are eliminated due to deletion of the requirement by the 1987 legislature for payment of filing fees to counties associated with the new Agricultural Lien Program administered by the Secretary of State and by the elimination of the requirement that the general fund pay for costs associated with the free distribution of ARM updates to state agencies.

Funding: The records management function is funded by general fund, with the exception of Uniform Commercial Code (UCC) document processing, which will be funded by a state special revenue account as a result of passage of House Bill 837. The Agricultural Lien Program and the Administrative Code Program are funded by state special revenue funds which recover costs with user fees. General fund of \$30,600 per year previously used to reimburse the Administrative Code State Special Revenue Account for the cost of free distribution of ARM updates to state agencies was deleted from the 1989 biennium budget, due to passage of House Bill 901 eliminating the statutory requirement for the reimbursement. The requirement had been eliminated in Special Session III for fiscal 1987 only. General fund reimbursements are reduced 17.8 percent due to the elimination of the Administrative Code Program general fund reimbursement, the personal services reduction, the allocation of overhead costs to the expanded Agricultural Lien Program, and is reduced an additional 22 percent due to the transfer of Uniform Commercial Code document processing to a state special revenue account.

Difference From Executive: The approved budget was 9 percent below the executive budget, due primarily to the elimination of all non-operating costs by action of the 1987 legislature eliminating the statutory requirements for payment of agricultural lien recording fees to county clerk and recorders and for general fund reimbursement for certain copies of administrative rules publications. Personal services were reduced by elimination of a grade 12 administrative aide in the Records Management Program. Operating cost decreases included reductions below the executive recommendation for agricultural lien processing costs and for contract printing of updates to the administrative rules publications.



AGENCY: SECRETARY OF STATE

LEGISLATIVE ACTION

PROGRAM: RECORDS MANAGEMENT PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Legislature	Difference	
FTE	31.50	25.00	-1.00	24.00	-1.00	-7.50
Personal Services	\$590,197	\$532,182	\$ (26,587)	\$505,128	\$ (26,427)	-14.33
Operating Expenses	389,855	406,331	(8,939)	395,939	(12,516)	1.93
Equipment	15,261	0	0	0	0	-100.00
Non-Operating	0	33,000	(33,000)	0	(33,000)	N/A
TOTAL EXPENSES	\$995,313	\$971,513	\$ (68,526)	\$901,067	\$ (71,943)	-9.28
FUNDING						
General Fund	\$831,323	\$738,350	\$ (219,293)	\$521,931	\$ (217,557)	-37.56
State Special Revenue	163,990	233,163	150,767	379,136	145,614	134.12
TOTAL FUNDING	\$995,313	\$971,513	\$ (68,526)	\$901,067	\$ (71,943)	-9.28

Program Description: The Records Management Program provides statutorily required services relating to elections, filing of corporate records, and custodianship of the state's official documents. The program also administers the Agricultural Lien Program, a centralized filing and access system for security interests covering agricultural products and property.

Budget: The budget provides for a 9.3 percent decrease from fiscal 1986 to fiscal 1988. There are two distinct programs within the Records Management Program--Records Management and the Agricultural Lien Programs. The overall decrease in the Program was due to a significant decrease in the Records Management Program, offset partially by an increase in the Agricultural Lien Program. Table 1 shows the changes in current level from fiscal 1986 to fiscal 1988 by subprogram.

Table 1  
Current Level Changes by Sub-program

Budget Item	1986 Actual	Records Management 1988 Approp	Inc/Dec.	1986 Actual	Agricultural Lien 1988 Approp	Inc/Dec.
FTE	26.50	21.00	(5.50)	5.00	3.00	(2.00)
Personal Services	\$518,930	\$450,001	\$ (68,929)	\$ 71,267	\$ 55,594	\$ (15,673)
Operating Expenses	304,322	258,383	(45,939)	85,533	139,009	53,476
Equipment	8,071	-0-	(8,071)	7,190	-0-	(7,190)
Total Expenditures	\$831,323	\$708,384	\$ (122,939)	\$163,990	\$194,603	\$ 30,613
FUNDING						
General Fund	\$831,323	\$519,057	\$ (312,266)	\$ -0-	\$ -0-	\$ -0-
State Special Revenue	-0-	189,327	189,327	163,990	194,603	30,613
Total Funds	\$831,323	\$708,384	\$ (122,939)	\$163,990	\$194,603	\$ 30,613

The table shows an 14.8 percent decrease in the Records Management Program and a 18.7 percent increase in the Agricultural Lien Program. In general, the decreases in the Records Management Program are due to three factors: 1) the elimination of start-up FTE, operating expenses, and equipment for the Uniform Commercial Code microfilming project; 2) elimination of additional FTE and operating expenses due to automation and system improvements; and 3) reallocation of overhead costs from the records management to the agricultural liens as a result of the growth in the Agricultural Lien Program. Increases in the Agricultural Loan Program can be attributed to these factors: 1) increased reporting requirements and volume in the program primarily due to new requirements of the Federal Farm Bill; and 2) assumption of a larger share of the allocation of overhead costs of the two programs due to this program's relative growth. The increases were only partially offset by the elimination of 3.0 FTE authorized by the legislature in fiscal 1986 as start-up costs and the elimination of start-up equipment costs.

A detailed current level explanation follows, and is broken down into two categories--personal services and operating expenses.

#### A. FTE and Personal Services

There is a 14.3 percent reduction for personal services from fiscal 1986 to fiscal 1988, primarily due to FTE reductions. A net total of 7.5 FTE positions were deleted from current level in fiscal 1988. In the Agricultural Lien Sub-program, 3.0 FTE data entry operators were deleted, as the positions were hired for program start-up. A 1.0 FTE administrative aide position was added to the program. In the Records Management Sub-program, 5.5 FTE were deleted, including 1.0 FTE as a one-time start-up cost of the UCC microfilming program, a 0.5 FTE clerk position deleted in fiscal 1986 as a result of automation, and 0.5 FTE data entry operator deleted from the Corporations Bureau as part of the five percent cuts. An additional 3.5 FTE, including a 1.0 FTE corporate documents specialist, a 1.0



FTE administrative aide and 1.5 FTE office clerks, were eliminated at the agency's request. A 4 percent vacancy savings rate was applied to the program budget for the 1989 biennium.

#### B. Operating Expenses

Operating expenses are increased \$35,100 for microfilming costs, \$42,050 for computer processing costs, and \$4,230 for photocopying, primarily due to increased reporting requirements, volume and demand in the Agricultural Lien Program. Current level is increased in fiscal 1988 only for audit costs of \$8,900. Printing costs of \$18,900 are added in fiscal 1989 only for required publications, including the biennial voter information pamphlet.

Decreases in operating expenses include \$41,860 in microfilming costs for one-time expenditures to convert Uniform Commercial Code documents to microfilm, \$19,630 in one-time system development costs for the Agricultural Lien Program, and \$3,200 in postage costs. At the agency's request, other operating expense reductions include printing costs of \$5,750 and an additional \$7,420 in miscellaneous areas. Other minor adjustments and inflation factors resulted in a net reduction in spending authority of \$5,060 in fiscal 1988. In fiscal 1989 at the request of the agency, an additional \$6,000 reduction in travel costs was taken.

The legislature eliminated the requirement for payment of \$33,000 in each year for pass-through of agricultural lien recording fees to county clerk and recorders.

Funding: As a result of passage of House Bill 837, the processing of Uniform Commercial Code (UCC) documents will be funded by a state special revenue account for the first time in the 1989 biennium. In fiscal 1988, \$189,327 is appropriated for this purpose and in fiscal 1989 the appropriation is \$187,844, to be recovered by service fees. The balance of the Records Management Subprogram is funded by general fund. The Agricultural Lien Subprogram is funded by a state special revenue account, which recovers the cost of the program with user fees.

#### Other Legislation:

1. House Bill 837 - Uniform Commercial Code (UCC) Secured Transactions - House Bill 837 revised the provisions for filing financial statements in the Uniform Commercial Code - secured transactions. The bill transferred the funding for UCC records management in the Secretary of State's office from general fund to a state special revenue account. The secretary of state is authorized to establish by administrative rule fees that are commensurate with processing the documents. Any unobligated balance remaining in the account at the end of each fiscal year reverts to the general fund. In addition, House Bill 837 repealed the requirement that the Secretary of State reimburse county clerk and recorders for agricultural lien recording fees, for a savings of \$33,000 per year state special revenue.

Difference From Executive: The approved budget is 7 percent below the executive recommendation. Personal services were reduced due to elimination of a grade 12 administrative aide position. Approved operating expenses were below the executive recommendation, including \$6,300 in agricultural lien processing costs, \$2,800 in postage, and \$600 in travel in fiscal 1988. Agricultural lien processing costs and travel were below the executive recommendation an additional \$3,600 in fiscal 1989. Audit fees were increased \$800 in fiscal 1988. Non-operating costs included in the executive budget for pass-through of agricultural lien recording fees to county clerk and recorders were eliminated by the legislature with passage of House Bill 837. The majority of the funding differences occurred due to transfer of UCC document processing from general fund to the state special revenue fund.



BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88	
		Executive	Legislature	Difference		Executive	Legislature	Difference		% Change	
FTE	3.50	3.50	3.50	0.00		3.50	3.50	0.00		0.00	
Personal Services	\$ 87,526	\$ 85,253	\$ 84,884	\$ (369)		\$ 85,110	\$ 84,773	\$ (337)		-3.02	
Operating Expenses	70,169	121,188	108,666	(12,522)		75,471	68,322	(7,149)		54.86	
Equipment	1,174	0	0	0		0	0	0		-100.00	
Non-Operating	30,600	30,600	0	(30,600)		30,600	0	(30,600)		-100.00	
TOTAL EXPENSES	\$189,469	\$237,041	\$193,550	\$(43,491)		\$191,181	\$153,095	\$(38,086)		2.15	
FUNDING											
General Fund	\$ 30,600	\$ 30,600	\$ 0	\$(30,600)		\$ 30,600	\$ 0	\$(30,600)		-100.00	
State Special Revenue	158,869	206,441	193,550	(12,891)		160,581	153,095	(7,486)		21.83	
TOTAL FUNDING	\$189,469	\$237,041	\$193,550	\$(43,491)		\$191,181	\$153,095	\$(38,086)		2.15	

Program Description: The Administrative Code Program is responsible for filing, publishing, and distributing Administrative Rules of Montana developed for the operation of state agencies.

Budget: The budget provides for a 2.2 percent increase from fiscal 1986 to fiscal 1988 due to increased operating expenses. Personal services decrease 3 percent due primarily to an actual vacancy savings rate in fiscal 1986 that was less than the 4 percent vacancy savings budgeted in fiscal 1988. Operating expenses increase 54.9 percent in fiscal 1988 due to budgeting \$37,900 for printing and binding expenses to print 100 new sets of the ARM manual for resale. The costs of the publication will be recovered in the state special revenue account as the volumes are sold. Audit fees of \$2,700 are also included in fiscal 1988 only.

Non-operating costs of \$30,600 in fiscal 1986 were for general fund reimbursement of the state special revenue fund for the cost of free distribution of ARM updates to certain state agencies. The reimbursement is not appropriated in the 1989 biennium budget, due to passage of House Bill 901 removing the statutory requirement for the reimbursement.

Funding: The program is funded by a state special revenue which charges fees for publication of the Administrative Rules of Montana and related publications.

Other Legislation:

1. House Bill 901 - Eliminates General Fund Reimbursement For Copies of ARM - The legislature approved in this bill the deletion of the statutory requirement that there be a general fund transfer to pay for certain copies of the Administrative Rules of Montana and the Montana Administrative Register that are distributed to the legislature and other agencies. This measure resulted in a general fund savings of \$30,600 per year.

Difference From Executive: The approved budget was 18 percent below the executive recommendation in fiscal 1988 and 20 percent lower in fiscal 1989, primarily due to the elimination of the statutory requirement for transfer of \$30,600 general fund per year to the state special revenue fund to pay for certain copies of the ARM. Approved operating expenses were lower due primarily to non-approval of an increase in contract printing of updates to the ARM and MAR publications included in the executive budget.

AGENCY: COMMISSIONER OF POLITICAL PRACTICES

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	4.75	4.75	3.00	-1.75	4.75	3.00	-1.75	-1.75
Personal Services	\$125,198	\$129,018	\$ 74,218	\$(54,800)	\$128,952	\$ 74,112	\$(54,840)	-40.72
Operating Expenses	14,503	22,621	28,893	6,272	18,145	30,751	12,606	99.22
TOTAL EXPENSES	\$139,701	\$151,639	\$103,111	\$(48,528)	\$147,097	\$104,863	\$(42,234)	-26.19
FUNDING								
General Fund	\$139,653	\$150,839	\$102,311	\$(48,528)	\$146,497	\$100,063	\$(46,434)	-26.74
State Special Revenue	48	800	800	0	600	4,800	4,200	1566.67
TOTAL FUNDING	\$139,701	\$151,639	\$103,111	\$(48,528)	\$147,097	\$104,863	\$(42,234)	-26.19

**Program Description:** The purpose of the Commissioner of Political Practices Office is to establish consistent requirements for the full disclosure and reporting of the source and disposition of funds used in Montana to support or oppose state and local candidates, political committees, or political issues. The Commissioner's office is also responsible for enforcing the election and campaign finance laws and the provisions of the Montana Lobbyist Disclosure Act. In addition, the Commissioner is responsible for publishing and disseminating a number of election-related reports, forms, and manuals as provided in Title 13, Chapter 37, MCA.

**Legislative Intent:** The approved budget includes a change to require the Commissioner of Political Practices to charge a fee for the Summary of Contributions/Expenditures for Candidates/Committees booklet which is distributed after each statewide election. Language is included in House Bill 2 to that effect, including the provision that the fee charged must be sufficient to recover publishing costs and that the funds are to be placed in the state special revenue account, with the balance reverting to the general fund at the end of the biennium. Public libraries are exempt from the charge for the booklet.

**Budget:** A revised budget submitted by the new Commissioner of Political Practices, which provides for a 26.2 percent reduction in the agency budget from fiscal 1986 to fiscal 1988, was approved. Personal services are reduced 40.7 percent due to a reduction from 4.75 FTE in fiscal 1986 to 3.0 FTE in fiscal 1988. A full-time attorney position was deleted for a savings of \$34,350 in fiscal 1988, and was replaced by \$15,000 in operating expenses for contract legal



services. In addition, a 1.0 FTE accountant position was eliminated for a cost savings of \$29,000. An administrative aide position was increased from 0.75 FTE to 1.0, at a cost of \$3,670. Some savings from the FTE reductions are offset by vacancy savings in fiscal 1986. Operating expenses increased due to the inclusion of \$15,000 for contract legal services.

Funding: A state special revenue account is used to record receipts and pay expenses relating to fees collected for copies provided to users and the sale of the post-election booklet. The balance of the agency operations are funded by general fund.

Difference From Executive: The approved budget is 32 percent below the executive recommendation in fiscal 1988 and 29 percent lower in fiscal 1989, due to submission of a revised budget by the new Commissioner of Political Practices. The revised agency budget eliminated an attorney position and an accountant position, and increased an administrative aide position from 0.75 FTE to a full-time position. Corresponding reductions were taken in operating expenses.

AGENCY: STATE AUDITOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	60.17	56.50	62.50	6.00		56.50	62.50	6.00		2.33
Personal Services	\$1,323,499	\$1,326,353	\$1,474,714	\$148,361		\$1,325,008	\$1,472,959	\$147,951		11.43
Operating Expenses	914,471	889,905	1,023,296	133,391		831,609	843,619	12,010		11.90
Equipment	102,705	18,237	97,342	79,105		288	288	0		-5.22
TOTAL EXPENSES	\$2,340,675	\$2,234,495	\$2,595,352	\$360,857		\$2,156,905	\$2,316,866	\$159,961		10.88
FUNDING										
General Fund	\$1,072,584	\$ 881,340	\$1,028,402	\$147,062		\$ 832,328	\$ 784,154	\$(48,174)		-4.12
State Special Revenue	1,268,091	1,353,155	1,566,950	213,795		1,324,577	1,532,712	208,135		23.57
TOTAL FUNDING	\$2,340,675	\$2,234,495	\$2,595,352	\$360,857		\$2,156,905	\$2,316,866	\$159,961		10.88

Program Description: The Office of the State Auditor, established by Article VI, Section 1 of the Montana Constitution, has statutory responsibility to superintend the fiscal concerns of the state, suggest plans for improvement and management of public revenues, keep an accounting system of all state funds, and pay into the treasury all funds and fees received. The state auditor is both the ex-officio commissioner of insurance and ex-officio securities commissioner. The state auditor is charged with the duty of licensing and regulating insurance companies and agents within the state. The state auditor is also assigned the responsibility of regulating and registering issuers, broker-dealers, and investment advisors, and licensing all securities salesmen. The state auditor is the director of the central payroll system which is responsible for paying state employees.

Budget: The budget provides for a 10.9 percent increase from fiscal 1980 to fiscal 1988, primarily due to replacement of the warrant writing system and additional personnel, supplies, and equipment for insurance regulation. These increases are partially offset by the removal of one-time expenditures for systems development costs and equipment costs for office and program automation, which exceed \$100,000 per year in the 1987 biennium, and the removal of one-time start-up costs for the non-gender insurance and title insurance law implementations. Vacancy savings of 4 percent is applied to this agency.

Funding: The state special revenue fund expenditures increase 23.6 percent while general fund decreases in the 1989 biennium primarily as a result of utilizing a fund balance of over \$200,000 in the central payroll operating fund to fund biennium expenditures and increasing the fees charged to users of the fund by over \$100,000 per year over the 1987 biennium fee levels. This reduction in general fund is partially offset by the general fund requirement in fiscal 1988 to replace the warrant writing system.

Difference From Executive: The approved budget is 7 percent higher than the executive recommendation in each fiscal year, plus an additional 9 percent in fiscal 1988 for the modified to replace the warrant writing system. Personal services were \$39,000 higher due to continuation of an administrative assistant position in Central Management and an insurance compliance specialist position in the Insurance Division, plus the addition of \$109,000 for 4.0 new FTE in the Insurance Division to implement the insurance regulation provisions of House Bills 372 and 880. Significant operating expense increases included \$118,000 for design and development of the warrant writing system plus \$21,000 in additional operating expenses in the Insurance Division to implement the provisions of House Bills 372 and 880. Equipment increases were primarily due to approval of \$81,250 to replace the warrant writing system.

Funding differences resulted primarily from the decision by the legislature to utilize the balance in the central payroll operating state special revenue fund before using general fund.



AGENCY: STATE AUDITOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: CENTRAL MANAGEMENT

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	9.00	7.00	8.00	1.00	7.00	8.00	1.00	-1.00
Personal Services	\$211,522	\$178,598	\$197,578	\$18,980	\$178,572	\$197,547	\$18,975	-6.59
Operating Expenses	78,908	43,943	43,102	(841)	41,290	40,492	(798)	-45.38
Equipment	73,681	5,713	423	(5,290)	0	0	0	-99.43
TOTAL EXPENSES	\$364,111	\$228,254	\$241,103	\$12,849	\$219,862	\$238,039	\$18,177	-33.78
GENERAL FUND	\$364,111	\$228,254	\$241,103	\$12,849	\$219,862	\$238,039	\$18,177	-33.78

Program Description: The Central Management Division of the State Auditor's Office is responsible for centralized services, including personnel, payroll, accounting, data processing assistance, mail service, administrative, and budgeting functions for the agency.

Budget: The budget provides for a 33.8 percent decrease from fiscal 1986 to fiscal 1988, due to one-time costs of office automation and other systems studies in fiscal 1986. Personal services decrease due to the reduction of a 1.0 FTE data processing technician, whose duties will be assumed by other technicians on the staff. Vacancy savings of 4 percent is applied to this program. Operating expenses decrease 45.4 percent, because one-time costs of \$38,530 appropriated by the 1985 legislature for warrant writing system improvements and for office automation feasibility study, development, and partial implementation were deleted. The office automation project was completed in the 1987 biennium, but the warrant writing system was not budgeted for full implementation in the 1987 biennium. Audit fees of \$2,832 are in fiscal 1988 only. Equipment is budgeted at \$423 for a file cabinet and microfiche reader.

Difference From Executive: The approved budget is 5.6 percent above the executive budget in fiscal 1988 and 8.3 percent higher in fiscal 1989. Personal services are higher due to continuation of a 1.0 FTE administrative assistant recommended for deletion in the executive budget to make the five percent cuts permanent. Operating expenses are slightly lower due to non-approved staff training cost increases which were recommended by the executive. Equipment purchases not approved by the legislature included \$4,190 for room dividers and \$1,100 for a conference table.

AGENCY: STATE AUDITOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: AUDIT DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	19.50	19.50	19.50	0.00	19.50	19.50	0.00	0.00
Personal Services	\$ 393,135	\$ 412,424	\$ 412,643	\$ 219	\$411,911	\$412,141	\$ 230	4.96
Operating Expenses	598,913	610,699	731,260	120,561	564,655	564,558	(97)	22.10
Equipment	20,401	3,320	84,570	81,250	0	0	0	314.54
TOTAL EXPENSES	\$1,012,449	\$1,026,443	\$1,228,473	\$202,030	\$976,566	\$976,699	\$ 133	21.34
FUNDING								
General Fund	\$ 708,473	\$ 653,086	\$ 787,299	\$134,213	\$612,466	\$546,115	\$(66,351)	11.13
State Special Revenue	303,976	373,357	441,174	67,817	364,100	430,584	66,484	45.13
TOTAL FUNDING	\$1,012,449	\$1,026,443	\$1,228,473	\$202,030	\$976,566	\$976,699	\$ 133	21.34

**Program Description:** The Audit Department is comprised of two bureaus, Fiscal Management and Central Payroll. The Fiscal Management Bureau is responsible for preparing and mailing state warrants and for depositing all monies received by the state auditor. The Central Payroll Bureau is responsible for preparing the state payroll for all state agencies. The bureau is responsible for maintaining the data base for the Payroll/Personnel/Position Control System (PPP), which is an integrated data base system incorporating all the requirements and data elements of three systems -- payroll, personnel, and position control.

**Budget:** The budget provides for a 21.3 percent increase from fiscal 1986 to fiscal 1988 due to the inclusion of \$199,250 general fund in fiscal 1988 for replacement of the warrant writing system. Personal services increase 5 percent, due primarily to deletion of a 1.0 FTE administrative clerk, grade 6, vacated as a part of the 5 percent cuts, and transfer of a 1.0 FTE personnel technician II, grade 10, from the Department of Administration. The transferred position had worked closely with the State Auditor's Office and will continue to perform the same function. The net increase in general fund as a result of these adjustments is \$12,988. Other increases in personal services are due to the fiscal 1987 pay plan increase. Vacancy savings of 4 percent is applied to this program. Operating costs increase 22 percent due to design and development costs of \$118,000 for replacement of the warrant writing system, and the inclusion of audit costs of \$43,452 in fiscal 1988 only, an increase of \$29,419 over fiscal 1986 expenditures. The audit

fees are for the agency audit as well as the audit of the central payroll system and the warrant writing system. Other significant operating expense adjustments were a reduction of \$9,760 for one-time office remodeling costs. Equipment is \$3,320 for replacement of small office equipment, and \$81,250 for the new warrant writing system hardware.

Modifieds Approved:

1. Warrant Writing System - A modified proposal was approved for a general fund biennial appropriation of \$199,250 for the design, development, and implementation of a new warrant writing system. The current warrant writing system is deemed to be near failure, out of date, and not satisfactorily supported for replacement parts and supplies.

Funding: The program obtains funds in the form of payroll service fees from agency non-general fund operations. These fees are deposited into the state special revenue central payroll operating fund. There is a direct appropriation from the general fund for payroll services to general funded employees. The state special revenue central payroll operating fund expenditures increase as a result of utilizing the existing fund balance for biennium expenditures plus increases in payroll service fees by over \$100,000 per year. The general fund shows a corresponding decrease, but that decrease was more than offset by a general fund increase for the one-time cost of the new warrant writing system. The intent is for the state special revenue balance to be used before utilizing general fund.

Difference From Executive: The only significant adjustment to the executive budget was the approval of the modification described above for replacement of the warrant writing system. The additional appropriation for the warrant writing system includes \$118,000 operating costs for design and development and \$81,250 for equipment. Audit cost increases are \$3,235.

Funding differences from the executive recommendation are due to the decision by the legislature to use the remaining fund balance in the central payroll operating state special revenue account, reducing the general fund appropriation.



AGENCY: STATE AUDITOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: INSURANCE DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	22.67	21.00	5.00	26.00	5.00	3.33
Personal Services	\$505,801	\$505,696	\$129,114	\$633,803	\$128,691	25.51
Operating Expenses	193,183	192,651	4,520	189,523	3,732	2.06
Equipment	5,681	4,056	3,145	288	0	26.76
TOTAL EXPENSES	\$704,665	\$702,403	\$136,779	\$823,614	\$132,423	19.09
STATE SPECIAL REVENUE FUNDS	\$704,665	\$702,403	\$136,779	\$823,614	\$132,423	19.09

Program Description: The Insurance Division is responsible for regulating activities related to the insurance industry in the state. The duties of the division include licensing of insurance agents, monitoring of trade practices and insurance rates, and the investigation of insurance-related consumer complaints. Section 33-30-105, MCA, requires the audit of non-profit health organizations once every four years.

Budget: The budget provides for a 19.1 percent increase from fiscal 1986 to fiscal 1988, due primarily to an increase in personal service costs.

Personal services increase 25.5 percent because of an increase in FTE, vacancy savings in excess of the amount budgeted in fiscal 1986, and the fiscal 1987 pay plan increase. The increase of 3.33 FTE is due to: 1) adding 3.0 FTE at a cost of \$92,327 in fiscal 1988 for insurance regulation; 2) transferring a 0.5 FTE payroll clerk position to the Audit Division; 3) adding a 1.0 FTE administrative aide to implement the provisions of House Bill 880 authorizing quarterly collection of insurance premium tax; 4) deleting a 1.0 FTE hearings officer; and 5) increasing a compliance specialist position from 0.17 to 1.0 FTE. The position was only 0.17 in fiscal 1986 since it had only existed two months of the fiscal year. It was created by the legislature in special session for the Montana Insurance Assistance Program. Vacancy savings of 4 percent is applied to this program.

Operating expenses are reduced by removal of one-time start-up costs of \$11,000 for the non-gender insurance law, \$8,000 for the new title insurance regulation law, and one-time remodeling expenses of over \$10,000 associated with the agency reorganization. Operating cost decreases are more than offset by the addition of \$21,250 for increased operating costs associated with hiring 3.0 new FTE and the 1.0 new FTE as appropriated in House Bill 880. There is a \$10,000 increase to contract for a hearings officer as needed due to elimination of the hearings officer position, and a biennial appropriation of \$8,107 for audit fees, included in fiscal 1988 only, an increase of \$7,135 over the fiscal 1986 expenditure. Other minor adjustments result in a net reduction of \$5,397 from fiscal 1986 costs.

Equipment budgeted is for typewriters and small office furniture and equipment, including \$4,310 in fiscal 1988 only for equipment costs associated with filling four new positions.

#### Modifieds Approved:

1. Insurance Regulation - Additional Staff - A modified was approved for the addition of 3.0 FTE for insurance regulation, due to passage of House Bill 372. House Bill 372 provides for increased regulated insurance company licenses and fees. The intent of the bill was to provide additional revenue for insurance regulation and was supported by insurance industry representatives for that specific purpose. The following additional FTE and increased start-up costs were approved to provide increased insurance regulation, at a cost which should approximate the increased revenues generated by House Bill 372.

**Actuary - 1.0 FTE** - The actuary will review the adequacy of insurer's loss reserves, evaluate the adequacy and/or appropriateness of premium rate filings, and assist in the examination of insurers domiciled in the State of Montana. At the present time, the Insurance Division has no one with the technical expertise to evaluate premium rates charged by insurers for fairness, although such a review is a statutory requirement. The cost in fiscal 1988 is \$59,756 and the cost in fiscal 1989 is \$58,416. This will be funded from the state special insurance regulatory account.

**Field Investigator - 1.0 FTE** - The field investigator will perform field investigations, audits, and examinations to ensure compliance with Montana Insurance Codes, including rate compliance. In fiscal 1988 the cost is \$39,222 and the cost in fiscal 1989 is \$38,028 from the state special insurance regulatory account.

**Administrative Aide - Examinations - 1.0 FTE** - The administrative aide will assist the chief examiner and compliance specialist with filing, typing, answering telephones, and reviewing and distributing mail. In fiscal 1988, the cost is \$17,149 and in fiscal 1989 the cost is \$15,998 from the state special insurance regulatory account.

The total cost of this modified appropriation is \$116,127 in fiscal 1988 and \$112,442 in fiscal 1989. The added fee revenue will be \$1,370 more than the cost in fiscal 1988 and \$5,055 more than the costs in fiscal 1989.

**Funding:** The Insurance Division is funded by the Insurance Regulatory State Special Revenue Account, which receives fee and licence revenues from regulated insurance companies. Any balance in the account at fiscal year end reverts to the general fund. Therefore, any increase to this budget has a dollar for dollar impact on general fund revenue.



#### Other Legislation:

1. House Bill 880 - Quarterly Collection of Premium Tax - Prior statute provided for annual collection of the insurance premium tax from insurance companies. House Bill 880 changed the statute to authorize the state auditor to collect premium tax payments on a periodic (quarterly) basis, providing increased state revenues from interest earned on accelerated collections. A direct appropriation was included in the bill for \$18,208 in fiscal 1988 and \$17,108 in fiscal 1989 for a full-time administrative aide and related supplies and equipment to process the average additional 14 checks per day generated by the bill.

2. House Bill 372 - Increased Insurance Fees and Licenses - House Bill 372 was introduced at the request of the state auditor and supported by representatives of the insurance industry to raise certain insurance fees and create some new fees, for the sole purpose of providing additional revenues to enable funding of additional personnel in the Insurance Division for insurance regulation. The increased revenues provided enough funds to hire three additional FTE, as further described in the paragraph above regarding the approved modified budget.

3. House Bill 741 - Regulation of Health Service Corporations - House Bill 741 revised the statutes regarding regulation of health service corporations including Blue Shield and Blue Cross of Montana, and inserted the requirement that the health service corporations pay for the examination conducted by the state auditor every four years. Prior to passage of the bill, the state had to pay those examination costs of approximately \$40,000 every other biennium.

Difference From Executive: The approved budget is 19 percent higher than the executive recommendation, due primarily to the approval of 4.0 additional FTE and related operating expenses and equipment to implement House Bills 372 and 880.

Personal services were above the executive recommendation due to continuation of an insurance compliance specialist position recommended for elimination by the executive, and approval of the 3.0 additional FTE for insurance regulation (House Bill 372) and 1.0 FTE to implement House Bill 880.

Operating expenses were increased over the executive recommendation by \$21,350 for expenses related to implementation of House Bills 372 and 880, \$10,000 to contract for a hearings officer as needed due to elimination of a full time hearings officer position, and \$700 for increased audit fees in fiscal 1988 only. Operating expenses not approved by the legislature included \$19,000 in one-time costs to implement the non-gender and title insurance laws in the 1987 biennium and \$8,500 in computer system maintenance cost increases.

Equipment increases approved were \$4,310 for additional office equipment for four new full-time positions. Equipment allowances recommended by the executive but not approved by the legislature were \$1,165 for room dividers, tables, and chairs.



AGENCY: STATE AUDITOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: SECURITIES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	9.00	9.00	9.00	0.00	9.00	9.00	0.00	0.00
Personal Services	\$213,041	\$229,635	\$229,683	\$ 48	\$229,413	\$229,468	\$ 55	7.81
Operating Expenses	43,467	42,612	51,763	9,151	39,873	49,046	9,173	19.09
Equipment	2,942	5,148	5,148	0	0	0	0	74.98
TOTAL EXPENSES	\$259,450	\$277,395	\$286,594	\$9,199	\$269,286	\$278,514	\$9,228	10.46
STATE SPECIAL REVENUE	\$259,450	\$277,395	\$286,594	\$9,199	\$269,286	\$278,514	\$9,228	10.46

Program Description: The Securities Division is responsible for the administration of the Securities Act of Montana. The division carries out licensing, regulation, and enforcement duties related to securities and investments.

Budget: The budget provides for a 10.5 percent increase from fiscal 1986 to fiscal 1988, due primarily to an increase in personal service costs. Personal services increase 7.8 percent because of vacancy savings in excess of the amount budgeted in fiscal 1986 and the pay plan increase. Vacancy savings of 4 percent is applied to this program. Operating expenses increase 19 percent due to the addition of \$10,000 to contract for a hearings officer as needed, after a full-time hearings officer position was deleted in the Insurance Division that had been shared by the Securities Division. A biennial audit appropriation of \$2,835 is included in fiscal 1988 only, an increase of \$1,863 over fiscal 1986. Other minor adjustments result in a net reduction of \$3,567 from fiscal 1986 costs. Equipment budgeted is \$448 for a file cabinet and paper shredder, and \$4,700 for a Wang computer.

Funding: The Securities Division is funded by the Securities Regulatory State Special Revenue Account, which receives fees from regulated securities companies. Any balance in the account at fiscal year end reverts to the general fund. Therefore, any increase to this budget has a dollar for dollar impact on general fund revenue.

Difference From Executive: The only significant adjustment to the executive budget was the approval of the additional \$10,000 per year to contract for a hearings officer as needed.

AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	544.27	523.83	556.60	32.77	523.83	562.70	38.87	12.33
Personal Services	\$15,120,800	\$14,371,202	\$15,442,009	\$1,070,807	\$14,398,848	\$15,577,045	\$1,178,197	2.12
Operating Expenses	4,624,402	5,057,769	5,318,327	260,558	4,709,437	5,257,271	547,834	15.01
Equipment	1,361,804	1,120,800	1,329,893	209,093	1,006,908	1,105,712	98,804	-2.34
TOTAL EXPENSES	\$21,107,006	\$20,549,771	\$22,090,229	\$1,540,458	\$20,115,193	\$21,940,028	\$1,824,835	4.66
FUNDING								
General Fund	\$ 8,852,444	\$ 5,988,640	\$ 5,215,514	\$ (773,126)	\$ 5,877,601	\$ 4,957,783	\$ ( 919,818)	-41.08
State Special Revenue	11,103,284	13,570,590	14,628,819	1,058,229	13,249,147	14,918,888	1,669,741	31.75
Federal and Other Revenue	696,313	527,506	1,752,756	1,225,250	525,101	1,569,903	1,044,802	151.72
Proprietary Fund	454,965	463,035	493,140	30,105	463,344	493,454	30,110	8.39
TOTAL FUNDING	\$21,107,006	\$20,549,771	\$22,090,229	\$1,540,458	\$20,115,193	\$21,940,028	\$1,824,835	4.66

Program Description: The Department of Justice, under the direction of the Attorney General, is responsible for state law enforcement and public safety. The duties of the department include the following: (1) attend the Supreme Court; (2) exercise supervisory powers over county attorneys in all matters pertaining to the duties of their offices; (3) assist county attorneys in the discharge of their duties; (4) give legal opinions; (5) enforce Montana traffic laws and register all motor vehicles; and (6) enforce state fire safety codes and regulations.

Budget: The budget provides for a 4.7 percent increase from fiscal 1986 to fiscal 1988.

Personal services increase 2.1 percent, primarily due to: (1) a net reduction of 14.42 existing FTE and the elimination of the requirement to pay deputy county attorneys (a savings of over \$600,000 per year) in the June 1986 special session, which more than offsets the increase to the 1987 pay plan; (2) 20.75 FTE added in modifieds; and (3) 6.0 FTE added for new functions approved by the 51st Legislature. A 4 percent vacancy savings rate was applied to the Department of Justice, with the exception of Agency Legal Services (proprietary fund), the County Attorney Payroll Program, and the federally funded Motor Carrier Safety Assistance Program (MCSAP) in the Highway Patrol Division.

In addition, vacancy savings was not applied to any of the modified requests. Table 1 summarizes the FTE added and deleted in the Department of Justice for the 1989 biennium.

Table 1  
Department of Justice FTE Added and Deleted  
1989 Biennium

<u>Program</u>	<u>FY 88</u>	<u>FY 89</u>
Legal Services - Administrative Secretary	-1.00	-1.00
Driver Services Bureau		
Suspended Drivers Licenses - SB181	2.25	2.85
Commercial Vehicle Operator's License - SB212	3.75	5.00
Highway Patrol - Uniformed		
Delete 55 MPH Squad - Current Level	-4.00	-4.00
Add 55 MPH Squad - Modified	4.00	4.00
Highway Patrol - Cadets	1.83	1.83
Highway Patrol - MCSAP		
Expanded Program - Modified	6.00	6.00
Highway Patrol - Communications		
Dispatcher and Supervisor	2.00	2.00
Motor Vehicle Registrar		
Boat Registration - HB730	0.00	3.00
County Attorney Payroll*	-9.40	-9.40
Law Enforcement Academy - Attorney	-1.00	-1.00
Identification Bureau - Administrative Clerk	-1.00	-1.00
Criminal Investigation		
Customs Investigator - Modified	1.00	1.00
Criminal Investigation - Coal Board		
Criminal Investigator - Modified	1.00	1.00
Statewide Drug Enforcement - Modified	8.75	10.00
Central Services - Accounting Technician	-0.85	-0.85
Data Processing - Programmer Analyst	-1.00	-1.00
Total Additional FTE	<u>12.33</u>	<u>18.43</u>

\*Accounting difference only



Operating expenses increase for several reasons, including increases in expert witness fees in the Agency Legal Services Program, increases in data processing fees in the Registrar of Motor Vehicles and Data Processing Division, increased building rent and equipment maintenance costs in the Forensic Science Division, the addition of new functions by the Fiftieth Legislature for the Driver Services Bureau and the Motor Vehicle Registrar, increased audit fees in Central Services Division, and adding the modified requests.

Equipment expenditures decrease 2.3 percent, primarily in the Highway Patrol Division, where \$328,000 was expended in fiscal 1986 to complete the statewide highband radio network installation partially offset by a lower expenditure for patrol cars in fiscal 1986.

Funding: The general fund supports all or part of 11 programs, including Legal Services Division, Indian Legal Jurisdiction, County Prosecutor Services, Driver Services Bureau, Law Enforcement Services Administration, County Attorney Payroll, Fire Marshall Bureau, Identification Bureau, Criminal Investigation Bureau, Central Services Division, and Transportation of Prisoners. General fund decreases 41 percent in fiscal 1988 due to a shift in funding for the Highway Patrol Division beginning in fiscal 1987 from general fund to highway gas tax funds. This shift reduces the general fund appropriation by \$2,822,900 at fiscal 1988 levels. In addition, a reduction in the county attorney payroll of 41.8 percent reduced general fund requirements.

State special revenue funds provide 66 percent of total funding for the Department of Justice in fiscal 1988. The majority of the state special revenue funds come from the highway special revenue account and the motor vehicle account. The motor vehicle account supports the programs shown in Table 2. The highways special revenue account funds the Highway Patrol Division. State special revenue funds increase 31.7 percent from fiscal 1986 to fiscal 1988 primarily due to the shift of the Highway Patrol Division from general fund.

Federal and other revenues increase due to the modified requests, including the 55 MPH Enforcement Squad and expansion of the MCSAP Program in the Highway Patrol Division, and the undercover drug unit funded by federal grant funds. In addition, \$60,000 per year from the education trust account will fund implementation of the motor vehicle property tax system mandated by Senate Bill 200.

Motor Vehicle Account: Motor vehicle account funds are used for several programs within the Department of Justice, as well as for the prison license plate factory, as shown in Table 2. In the 1985 biennium, approximately 54 percent, or \$2.1 million of the budgets of the Law Enforcement Academy, the Law Enforcement Network, and the Forensic Science Division, was general fund and approximately 46 percent was other funds. In the 1987 biennium, all of the general fund for those divisions was replaced with motor vehicle funds.

Table 2 shows the programs being funded with motor vehicle funds in the 1987 biennium and the appropriation of these funds by the legislature for the 1989 biennium in House Bill 2. Revenue estimates include anticipated receipts from bills passed by the 50th Legislature, including those from House Bill 492 (motor vehicle fee increases), Senate Bill 212 (commercial vehicle operator's license), and House Bill 730 (boat registration).

Table 2  
Motor Vehicle Account Cash Flow Summary

	Actual Fiscal 1986	Fiscal 1987	Fiscal 1988	Projected	Fiscal 1989
Beginning Balance*	\$1,795,516	\$1,093,405	\$ 700,004		\$ 153,913
Revenues	<u>3,401,138</u>	<u>3,464,000</u>	<u>4,346,000</u>		<u>5,113,000</u>
Total Funds Available	\$5,196,654	\$4,557,405	\$5,046,004		\$5,266,913
Expenditures					
Vehicle Registration	\$1,929,716	\$1,858,062	\$1,993,923		\$2,064,472
Prison	330,652	335,000	484,321		496,117
Driver Services Bureau	298,960	284,668	369,955		574,238
Data Processing Division	419,129	444,861	703,851		700,503
Central Services	4,462	-0-	5,810		-0-
Law Enforcement Academy	517,837	500,862	516,403		527,904
Forensic Science Division	603,570	536,446	671,964		629,368
Undercover Drug Unit (Match Funds)	-0-	-0-	145,864		129,136
Adjustments	<u>(1,077)</u>	<u>(102,498)</u>	<u>-0-</u>		<u>-0-</u>
Total Expenditures	\$4,103,249	\$3,857,401	\$4,892,091		\$5,121,738
Ending Balance	<u>\$1,093,405</u>	<u>\$ 700,004</u>	<u>\$ 153,913</u>		<u>\$ 145,175</u>

\*Does not include inventory at the prison, assumed to remain constant.

A minimum ending balance in the motor vehicle fund of approximately \$125,000 was approved to allow a working balance and as a reserve in case of revenue shortfalls. Reducing the ending balance to that level will **not** leave a sufficient balance to issue new license plates, which would require \$1.6 million.

#### Modifieds Approved:

The legislature approved eight modified non-general fund requests for the Department of Justice, which add appropriation authority of \$1,130,464 in fiscal 1988 and \$1,101,379 in fiscal 1989. The modifieds and their fund sources are summarized in Table 3, and descriptions of the modifieds are included with each program budget discussion.



Other Legislation: The legislature approved four bills which required budget additions of \$447,000 in fiscal 1988 and \$451,950 in fiscal 1989 to House Bill 2. The budget additions as a result of legislation are summarized in the bottom half of Table 3 and further descriptions of the bills are included with each program budget discussion.

**Table 3**  
Department of Justice Approved Modifieds and Budget Additions  
1989 Biennium

<u>Division</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fund Source</u>
<b>Modifieds</b>			
Highway Patrol - Uniformed			
55 MPH Enforcement Squad	\$ 158,500	\$ 158,500	Federal
Highway Patrol - MCSAP			
MCSAP Program Expansion	306,464	254,613	Federal/State Special
Law Enforcement Academy			
First Responder Training	18,583	24,778	State Special
Executive Institute	25,310	25,310	State Special
Added Basic Course	-0-	15,984	State Special
Criminal Investigation Bureau			
Customs Investigator	56,993	42,809	Federal
Criminal Investigation - Coal Board			
Criminal Investigator	68,140	68,087	Federal/Other
Statewide Drug Enforcement	496,474	511,298	Federal/State Special
<b>Total Modifieds</b>	<b>\$1,130,464</b>	<b>\$1,101,379</b>	
<b>Other Bills</b>			
Driver Services Bureau			
Suspended Drivers Licenses - SB181	\$ 45,100	\$ 49,250	General Fund
Commercial Vehicle Operator's License - SB212	315,900	259,800	Federal/State Special
Registrar of Motor Vehicles			
Property Tax on Motor Vehicles - SB200	60,000	60,000	Education Trust Fund
Boat Registration - HB730	26,000	82,900	Federal/State Special
<b>Total Other Bills</b>	<b>\$ 447,000</b>	<b>\$ 451,950</b>	
<b>TOTAL MODIFIEDS AND OTHER BILLS</b>	<b>\$1,577,464</b>	<b>\$1,553,329</b>	



Difference From Executive: The approved agency budget is 7.5 percent higher than the executive recommendation in fiscal 1988 and 9.1 percent higher in fiscal 1989, primarily because the executive recommendation did not include any of the modified requests for elected officials or budget additions as a result of legislation passed. The approved modifieds and legislation budget additions added 26.75 FTE and \$1,577,464 in fiscal 1988, and 32.85 FTE and \$1,553,329 in fiscal 1989. Other significant adjustments to the executive recommendation included a reduction of legal fees and court costs in the Indian Legal Jurisdiction by \$234,000 in fiscal 1988, and an increase of approximately \$197,000 in fiscal 1988 and \$272,000 in fiscal 1989 due to non-approval of recommended budget cuts, primarily to make the 5 percent cuts permanent.

Programs: Table 4 itemizes the FTE and funding level by program for the Department of Justice.

Table 4  
1989 Biennium FTE and Appropriation by Program

Program	Fiscal 1986		Fiscal 1988		Fiscal 1989	
	FTE		FTE	Funding	FTE	Funding
Legal Services Division	20.00		19.00	\$ 800,688	19.00	\$ 797,075
Indian Legal Jurisdiction	2.00		2.00	165,579	2.00	65,657
County Prosecutor Services	3.00		3.00	135,181	3.00	135,334
Agency Legal Services	10.00		10.00	492,562	10.00	493,454
Driver Services Bureau	81.70		87.70	2,619,278	89.55	2,552,627
Highway Patrol - Uniformed	204.00		204.00	8,901,492	204.00	8,994,422
Highway Patrol - Non-Uniformed	14.60		14.60	305,803	14.60	305,561
Highway Patrol - Cadets	1.92		3.75	81,851	3.75	81,734
Highway Patrol - MCSAP	6.00		12.00	503,844	12.00	452,344
Highway Patrol - Communications Bureau	23.05		25.05	484,367	25.05	483,702
Motor Vehicle Registrar	70.00		70.00	2,079,923	73.00	2,124,472
Law Enforcement Services	2.00		2.00	78,662	2.00	77,884
County Attorney Payroll	28.00		18.60	924,317	18.60	937,463
Law Enforcement Academy	11.00		10.00	625,791	10.00	644,256
Fire Marshal Bureau	8.00		8.00	318,327	8.00	319,335
Identification Bureau	8.00		7.00	236,734	7.00	233,088
Criminal Investigation	6.00		7.00	297,421	7.00	267,875
Criminal Investigation - Coal Board	5.00		14.75	795,696	16.00	809,180
Central Services Division	10.00		9.15	387,742	9.15	356,125
Data Processing Division	15.00		14.00	891,851	14.00	888,503
Extradition & Transportation of Prisoners	0.00		0.00	147,321	0.00	147,337
Forensic Science Division	15.00		15.00	815,799	15.00	772,600
Total Agency	<u>544.27</u>		<u>556.60</u>	<u>\$22,090,229</u>	<u>562.70</u>	<u>\$21,940,028</u>

AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: LEGAL SERVICES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	20.00	18.75	0.25	18.75	0.25	-1.00
Personal Services	\$679,134	\$668,500	\$ 0	\$667,890	\$ 0	-1.57
Operating Expenses	131,594	129,669	2,519	126,743	2,442	0.45
Equipment	10,596	0	0	0	0	-100.00
TOTAL EXPENSES	\$821,324	\$798,169	\$2,519	\$794,633	\$2,442	
FUNDING						
General Fund	\$785,710	\$776,134	\$2,519	\$772,743	\$2,442	-0.90
State Special Revenue	20,118	22,035	0	21,890	0	9.53
Federal Revenue	15,496	0	0	0	0	-100.00
TOTAL FUNDING	\$821,324	\$798,169	\$2,519	\$794,633	\$2,442	

Program Description: The Legal Services Division provides the Attorney General with legal research and analysis; provides legal counsel for state government officials, bureaus, and boards; represents Montana's interests in cases before state and federal courts, anti-trust cases, and cases involving property that reverts to the state in the absence of legal heirs; interprets laws; provides legal assistance to local governments on bond issues and other matters; and enforces the laws relating to the reporting and collection of unclaimed property owing to persons who cannot be located.

Budget: The budget provides for a 2.5 percent decrease from fiscal 1986 to fiscal 1988 due to the elimination of 1.05 FTE and no budget for equipment. Personal services increased due to the pay plan, but the increase was more than offset by the elimination of a 1.0 FTE administrative secretary and the elimination of 0.25 percent of the funding for an attorney position, for a total personal services savings of \$28,500 in fiscal 1988. A 4 percent vacancy savings rate was applied to this program. Case travel was line-itemed at \$9,500 each year of the biennium. Printing costs are \$4,000 lower in fiscal 1989 due to a biennial cost of printing the Attorney General's opinions.

Funding: The state special revenue fund pays part of the costs of an attorney and related operating expenses for assisting the Department of Revenue in enforcing the laws and collecting unclaimed property from financial institutions.

Difference From Executive: The approved budget included only minor adjustments to the executive budget in operating expenses, primarily to provide increased funds for training.



AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: INDIAN LEGAL JURISDICTION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	2.00	2.00	2.00	0.00	2.00	2.00	0.00	0.00
Personal Services	\$ 59,996	\$ 60,252	\$ 60,258	\$ 6	\$60,323	\$60,335	\$12	0.44
Operating Expenses	48,848	339,417	105,321	(234,096)	5,245	5,322	77	115.61
Equipment	422	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$109,266	\$399,669	\$165,579	\$(234,090)	\$65,568	\$65,657	\$89	51.54
GENERAL FUND	\$109,266	\$399,669	\$165,579	\$(234,090)	\$65,568	\$65,657	\$89	51.54

Program Description: The Indian Legal Jurisdiction Program provides coordination of trial and appellate lawsuits involving the State of Montana on the Indian tribes, provides legal services, and supervises private attorneys contracted by the state to assist with those cases.

Budget: The approved budget provides for a 51.5 percent increase from fiscal 1986 to fiscal 1988, but the fiscal 1988 amount includes a biennial appropriation of \$100,000. When comparing 1987 biennium projected total expenditures to the 1989 biennium appropriation, the increase is 6 percent. The biennial appropriation is also line-itemed, to be used for legal fees, expert witnesses, and other court costs. The program received a \$400,000 line-item appropriation in fiscal 1986 for the same purpose, but the June 1986 Special Session of the legislature took \$118,551 as part of the 5 percent cuts and the agency took an additional \$62,940 as part of the 2 percent cuts in fiscal 1986 and 1987, leaving a balance of \$218,509. Of the remaining balance, only \$43,536 was expended in fiscal 1986, and only \$14,494 was expended in the first seven months of fiscal 1987, for a total expenditure of \$58,030 through 19 months of the biennium. The balance in the appropriation at the end of January 1987 was \$160,479. The primary reasons for the low expenditure of the line-itemed appropriation have been the attempt by the agency to minimize the use of outside counsel on new cases, using state attorneys where possible, and the relatively little activity in the **Blackfeet** case in the 1987 biennium. The \$100,000 line-item appropriation provides for an increase over projected 1987 biennium expenditures, and there may be a need for a supplemental appropriation during the biennium if the Blackfeet case goes to court during the 1989 biennium.

A 4 percent vacancy savings rate was applied to this program.

Difference From Executive: The only significant adjustment to the executive recommendation was the approval of \$100,000 in fiscal 1988 for the biennium for private legal counsel and other court costs, primarily for the Blackfeet case. The executive budget had recommended \$334,172 for that purpose.

BUDGET ITEM	AGENCY: DEPARTMENT OF JUSTICE		LEGISLATIVE ACTION				PROGRAM: COUNTY PROSECUTOR SERVICES				FY 86-88	
	FY 1986		Fiscal 1988		Fiscal 1989		Fiscal 1989		Fiscal 1989		FY 86-88	
	Actual		Executive	Legislature	Difference	Executive	Legislature	Difference	Executive	Legislature	Difference	% Change
FTE	3.00		3.00	3.00	0.00	3.00	3.00	0.00	3.00	3.00	0.00	0.00
Personal Services	\$108,158		\$112,938	\$112,961	\$23	\$112,844	\$112,868	\$24	\$112,844	\$112,868	\$24	4.44
Operating Expenses	22,016		22,164	22,220	56	22,373	22,466	93	22,373	22,466	93	0.93
TOTAL EXPENSES	\$130,174		\$135,102	\$135,181	\$79	\$135,217	\$135,334	\$117	\$135,217	\$135,334	\$117	3.85
GENERAL FUND	\$130,174		\$135,102	\$135,181	\$79	\$135,217	\$135,334	\$117	\$135,217	\$135,334	\$117	3.85

Program Description: The County Prosecutor Services Program (CPS) provides legal assistance to counties in the prosecution and disposition of major felonies and in cases in which county attorneys have conflicts of interest. This program also coordinates training and continuing legal education for county attorneys and city attorneys.

Budget: The budget provides for a 3.8 percent increase from fiscal 1986 to fiscal 1988, primarily due to the pay plan increase. A four percent vacancy savings rate was applied to this program.

Difference From Executive: There were no significant adjustments to the executive recommendation.

AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: AGENCY LEGAL SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	10.00	10.00	0.00	10.00	0.00	0.00
Personal Services	\$341,938	\$352,757	\$14,698	\$367,965	\$14,719	7.46
Operating Expenses	100,907	109,700	15,407	125,489	15,391	23.98
Equipment	11,525	0	0	0	0	-100.00
TOTAL EXPENSES	\$454,370	\$462,457	\$30,105	\$493,454	\$30,110	8.41
PROPRIETARY FUND	\$454,370	\$462,457	\$30,105	\$493,454	\$30,110	8.41

Program Description: The Agency Legal Services Program (ALS) provides legal services to state agencies upon request. Agencies are billed (at a current rate of \$45 per hour) for attorney time and case-related costs to support the program.

Budget: The budget provides for an 8.4 percent increase from fiscal 1986 to fiscal 1988. Personal services increase due to pay plan increases and promotions. No vacancy savings was applied to this program. Operating expenses increase \$15,000 for expert witness fees. Repair and maintenance costs increase \$4,100 for maintenance contracts on computer equipment. Travel increases \$2,300, and other minor adjustments and inflation increase costs \$2,800 from fiscal 1986 to fiscal 1988. The increases are predominantly for case-related costs. Should these costs not materialize, the agency will receive no revenue to support the expenditures.

Funding: Agency Legal Services is a proprietary fund operation. The source of revenue is an hourly fee charged to user agencies for its services. The hourly fee is fiscal 1986 was \$45. The legislature had approved an increase to \$46 in fiscal 1987. However, Agency Legal Services retained the rate at \$45 in fiscal 1987 due to budget constraints for user agencies. The fee will need to increase 6.2 percent to cover the budget at the approved level before pay increases. This increase would make the attorney cost per hour \$47.80 and the investigator's hourly rate \$27.50. The expenditure increases above the fiscal 1986 level are expected to be charged to the client as case-related.

Difference From Executive: The approved budget is 6.5 percent above the executive recommendation. In personal services, the approved budget does not include the 4 percent vacancy savings recommended by the executive. In operating expenses, cuts recommended by the executive below current level to make the 5 percent cuts permanent were not approved by the legislature, as the agency is funded by a proprietary account, and expenditures won't be made unless there is demand and revenue from user agencies.



AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: DRIVER SERVICES BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	81.70	77.20	87.70	10.50	77.20	89.55	12.35	6.00
Personal Services	\$1,624,794	\$1,613,907	\$1,814,572	\$200,665	\$1,612,978	\$1,849,722	\$236,744	11.68
Operating Expenses	517,783	538,538	645,250	106,712	539,850	602,705	62,855	24.62
Equipment	83,466	35,950	159,456	123,506	40,244	100,200	59,956	91.04
TOTAL EXPENSES	\$2,226,043	\$2,188,395	\$2,619,278	\$430,883	\$2,193,072	\$2,552,627	\$359,555	17.67
FUNDING								
General Fund	\$1,811,213	\$1,802,195	\$1,897,971	\$95,776	\$1,978,536	\$1,756,674	\$(221,862)	4.79
State Special Revenue	373,977	371,200	446,307	75,107	199,536	650,953	451,417	19.34
Federal Revenue	40,853	15,000	275,000	260,000	15,000	145,000	130,000	573.15
TOTAL FUNDING	\$2,226,043	\$2,188,395	\$2,619,278	\$430,883	\$2,193,072	\$2,552,627	\$359,555	17.67

Program Description: The Driver Services Bureau is responsible for implementing and administering the laws relating to the examination, issuance, cancellation, suspension, revocation, and reinstatement of drivers' licenses and driving privileges.

Budget: The budget provides for a 17.7 percent increase from fiscal 1986 to fiscal 1988. Personal services increases 11.7 percent, primarily due to the addition of 6.0 FTE in fiscal 1988 and 7.85 FTE in fiscal 1989 for the added requirements mandated to the bureau by Senate Bill 181 for administration of suspended drivers' licenses and reinstatement fees, and of Senate Bill 212 for administration of the new commercial vehicle operator's license. A 4 percent vacancy savings rate was applied to this program. Operating expenses increase nearly 25 percent, primarily due to increases of: 1) \$107,000 for the added provisions of Senate Bills 181 and 212; 2) \$8,000 to purchase a better grade of typewriter ribbons; and 3) \$15,000 Highway Traffic Safety grant funds to provide enhancements to the driver history system. Printing costs are reduced in fiscal 1989 due to the biennial cost of printing driver manuals occurring in fiscal 1988 only. Equipment budgeted is as shown in Table 5.

Table 5  
Driver Services Bureau - Equipment Budget

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Vehicles - 3 Per Year - Current Level Operations	\$ 31,956	\$ 27,000
Administration of New Commercial Vehicle Operator's License (SB212):		
Vehicles	38,000	-0-
Computers	72,000	73,200
Law Enforcement Equipment	8,000	-0-
Office Equipment	3,000	-0-
Administration of Suspended Drivers' Licenses (SB181):		
Computers	3,500	-0-
Office Equipment	3,000	-0-
Total Equipment	<u>\$159,456</u>	<u>\$100,200</u>

Funding: The program is funded by general fund in an amount roughly equivalent to the amount that the program generates for the general fund in fees for drivers' licenses and other services. In addition, the program is funded by state special revenue funds in fiscal 1988 of \$47,358 for 3.33 percent of drivers' license fee collections, \$27,500 for driver rehabilitation fees collected from individuals attending driver rehabilitation and improvement courses to defray course costs, and \$1,494 for fees charged to recover costs of the Montana Highway Patrol Identification Card issues. Federal funds are received as grants from the Highway Traffic Safety Division for specific projects, including funds in fiscal 1988 of \$15,000 for improvements in the driver history program. Additional federal grant funds of \$260,000 in fiscal 1988 and \$130,000 in fiscal 1989 are provided by the federal Department of Transportation to establish the new commercial vehicle operator's license. The balance of the funding for the Driver Services Bureau comes from the motor vehicle fee state special revenue account, which will be \$369,955 in fiscal 1988 and \$574,238 in fiscal 1989. Of that amount, \$55,900 in fiscal 1988 and \$129,800 in fiscal 1989 is line-itemed for the commercial vehicle operator's license program.

Other Legislation:

1. Senate Bill 181 - Administration of Suspended Drivers' Licenses - The legislature approved a bill requiring suspension of a driver's license for failure to appear or pay a fine, and requiring payment of a reinstatement fee. The Driver Services Bureau is appropriated \$45,100 and 2.25 FTE in fiscal 1988 and \$49,250 and 2.85 FTE in fiscal 1989 in House Bill 2 to administer the revocation and reinstatement of licenses.



2. Senate Bill 212 - Commercial Vehicle Operator's License - The legislature approved a bill establishing a classified commercial vehicle operator's license to bring the state into compliance with federal regulations for commercial vehicle operation. The bill grants rulemaking authority to the Department of Justice to define a commercial motor vehicle and to prescribe requirements and procedures for the licensing of commercial motor vehicles and commercial vehicle operators. The Driver Services Bureau is appropriated \$315,900 and 3.75 FTE in fiscal 1988 and \$259,800 and 5.0 FTE in fiscal 1989 in House Bill 2 to implement House Bill 212.

3. House Bill 277 - DUI License Suspension - The legislature approved a bill authorizing counties to establish drinking prevention programs, to be funded by a driver's license reinstatement fee. The Driver Services Bureau is responsible for implementation of the administration of the license suspension/reinstatement procedures of this bill.

Difference From Executive: The approved budget is 20 percent higher than the executive recommendation in fiscal 1988 and 16 percent higher in fiscal 1989, due primarily to added appropriations to implement the provisions of Senate Bills 181 and 212.

Personal services increase \$126,500 for 6.0 FTE in fiscal 1986 and \$162,400 for 7.85 FTE in fiscal 1989 to implement the provisions of the programs added by the two senate bills. Further, the approved budget was approximately \$81,000 higher per year due to non-approval of a reduction of 4.5 FTE recommended by the executive to make the 5 percent cuts permanent. These increases were partially offset by a reduction of approximately \$7,000 below the executive's recommended allowance for overtime and benefits.

Operating expenses increase \$107,000 fiscal 1988 and \$73,450 in fiscal 1989 to implement Senate Bills 181 and 212. This increase was partially offset in fiscal 1989 by non-approval of \$10,600 in cuts recommended by the executive to make the 5 percent cuts permanent.

Equipment increased \$127,500 in fiscal 1988 and \$73,200 in fiscal 1989 to implement the provisions of Senate Bills 181 and 212. These increases were partially offset by non-approval of office equipment increases of \$4,000 in fiscal 1988, and office equipment of \$3,250 and two vehicles for \$10,000 in fiscal 1989 included in the executive budget.

General fund approved in fiscal 1989 was lower than the executive recommendation due to utilization of a larger amount of motor vehicle state special revenue funds.



AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: HIGHWAY PATROL DIVISION - UNIFORMED

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	204.00	191.00	204.00	13.00		191.00	204.00	13.00		0.00
Personal Services	\$6,498,543	\$6,206,570	\$6,530,419	\$323,849		\$6,213,459	\$6,538,063	\$324,604		0.49
Operating Expenses	1,556,945	1,512,259	1,502,718	(9,541)		1,526,649	1,543,109	16,460		-3.48
Equipment	1,091,408	883,710	868,355	(15,355)		872,200	913,250	41,050		-20.44
TOTAL EXPENSES	\$9,146,896	\$8,602,539	\$8,901,492	\$298,953		\$8,612,308	\$8,994,422	\$382,114		-2.68
FUNDING										
General Fund	\$2,246,395	\$	0	\$	0	\$	0	\$	0	-100.00
State Special Revenue	6,754,160	8,572,614	8,709,992	137,378		8,582,383	8,802,922	220,539		28.96
Federal Revenue	146,341	29,925	191,500	161,575		29,925	191,500	161,575		30.86
TOTAL FUNDING	\$9,146,896	\$8,602,539	\$8,901,492	\$298,953		\$8,612,308	\$8,994,422	\$382,114		-2.68

Program Description: The Uniformed Program of the Highway Patrol Division includes the payroll for the uniformed patrol officers of the division and the general mission operations of the Highway Patrol.

Budget: The budget provides for a 2.7 percent decrease from fiscal 1986 to fiscal 1988 due to the removal of several one-time expenditures from the base. Personal services has a 4 percent vacancy savings rate in fiscal 1988. Operating expenses decrease 3.5 percent for the reasons listed in Table 6.

Table 6  
Highway Patrol Division - Uniformed Program Operating Expense Changes  
Fiscal 1986 to Fiscal 1988

\$(16,900)	Termination of contract for dispatch services in Missoula through 911 Center (intend to establish Highway Patrol dispatch center)
( 8,500)	Remove one-time phone costs in fiscal 1986
( 4,000)	Reduce medical costs for persons jailed by the Highway Patrol - costs were high in fiscal 1986
(16,000)	Remove one-time cost of setting up a quartermaster system for uniform replacement
(27,500)	Deflation of gas cost from fiscal 1986 levels
(14,800)	Remove unusually high vehicle maintenance costs in fiscal 1986
(11,200)	Remove unusually high patrolmen relocation costs in fiscal 1986
15,633	Increase in 55 MPH Enforcement Squad operating expenses
13,500	Increase in insurance and bond costs
9,000	Increase in building rent costs
10,400	Increase in the per diem paid local jails for costs of prisoners jailed by the Highway Patrol
( 3,860)	Other minor adjustments
<u>\$(54,227)</u>	Total reduction in operating expenses from fiscal 1986 to fiscal 1988

Operating costs increase approximately \$40,000 in fiscal 1989 over fiscal 1988 levels for \$28,600 in gas inflation costs, \$10,000 for printing a supply of warning and citation books, and \$1,400 for increased building rent. Equipment budgeted is as shown below.

Table 7  
Highway Patrol Division - Uniformed Program Equipment Budget

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Vehicles - 65 per year	\$810,095	\$891,150
Highband Radios - 10 in fiscal 1988 only	25,160	-0-
Base Station Repeaters - 4 per year	20,000	20,000
Siren Control Heads - 7 in fiscal 1988 only	3,500	-0-
Typewriters - 2 per year	2,100	2,100
Copy machine - 1 in fiscal 1988 only	7,500	-0-
Total Equipment	<u>\$868,355</u>	<u>\$913,250</u>

### Modifieds Approved:

1. 55 MPH Enforcement Squad - Federal funds for a 55 MPH enforcement squad consisting of 4.0 FTE were approved at a cost of \$158,500 each year of the biennium. The special force was included in current level in the 1987 biennium, but the Forty-ninth Legislature directed that it not be included in current level in the 1989 biennium. No vacancy savings was applied to this modified.

Funding: The Uniformed Program will receive federal funds of \$33,000 from a Highway Traffic Safety grant for advanced training for patrolmen and \$158,500 for the 55 MPH Enforcement Squad. The remainder of the program is funded by the highway state special revenue account. The June 1986 special session of the legislature shifted funding of the program from the general fund to this funding source beginning in fiscal 1987.

Difference From Executive: The approved budget is 3.5 percent above the executive recommendation in fiscal 1988 and 1.4 percent higher in fiscal 1989, due primarily to the inclusion of 9.0 FTE in the approved budget recommended for deletion by the executive and the addition of the modified budget for the 55 MPH Enforcement Squad.

Personal services are higher due to inclusion of 13.0 more FTE than recommended by the executive, including 9.0 FTE that were recommended for deletion to make the fiscal 1987 5 percent cuts permanent, and 4.0 FTE added by the executive for the 55 MPH Enforcement Squad. These increases were partially offset by a reduction of overtime by approximately \$16,000 per year below the executive recommendation to \$115,000 per year plus benefits.

Operating expenses increase approximately \$54,000 per year over the executive recommendation for costs of the modified budget for the 55 MPH Enforcement Squad, plus an additional \$22,000 per year for cuts recommended by the executive but retained in the budget. These increases were offset by the elimination of the \$17,000 per year costs of the Missoula Dispatch Office contract and the elimination of approximately \$68,500 of one-time costs included in the executive budget. In fiscal 1989, \$10,000 was added for a one-time printing of citation/warning books and \$16,000 was added for gasoline costs.

Equipment allowances in fiscal 1988 were lower than the executive recommendation due to a reduction in the number of vehicles budgeted for replacement from 70 to 65. The savings of \$28,400 was diminished by a higher per unit cost than included in the executive budget. Other equipment allowance reductions below the executive recommendation saved \$12,100, as the executive had recommended one more base station repeater, eight more siren control heads, and three more typewriters than the number approved as listed in Table 7. In fiscal 1989, the approved budget exceeded the executive recommendation for vehicles by \$18,950 in spite of a reduction from 70 to 65 cars, due to a higher approved per unit cost for the vehicles. In addition, the approved budget included 4 more base station repeaters and two more typewriters, at an additional cost of \$22,100 in fiscal 1989.



AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: HIGHWAY PATROL DIVISION - NON-UNIFORMED

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	14.60	14.60	14.60	0.00	14.60	14.60	0.00	0.00
Personal Services	\$290,017	\$296,585	\$296,762	\$ 177	\$296,351	\$296,534	\$183	2.33
Operating Expenses	6,020	9,033	9,041	8	9,019	9,027	8	50.18
Equipment	2,944	1,200	0	(1,200)	0	0	0	-100.00
TOTAL EXPENSES	\$298,981	\$306,818	\$305,803	\$(1,015)	\$305,370	\$305,561	\$191	2.28
FUNDING								
General Fund	\$298,981	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
State Special Revenue	0	306,818	305,803	(1,015)	305,370	305,561	191	100.00
TOTAL FUNDING	\$298,981	\$306,818	\$305,803	\$(1,015)	\$305,370	\$305,561	\$191	2.28

Program Description: The Non-uniformed Program of the Highway Patrol Division includes the payroll for the non-uniformed support staff for the Highway Patrol and administrative support costs of the division.

Budget: The budget provides for a 2.3 percent increase from fiscal 1986 to fiscal 1988. A personal services increase of 2.3 percent reflects the pay plan increase, reduced by the application of a 4 percent vacancy savings rate to this program, compared with a 2 percent rate in fiscal 1986. The increase in operating expenses is due to the cost of telephone loops to monitor vehicle speeds through phone lines from monitors installed in high risk/high speed areas.

Funding: The program is funded by the highway state special revenue account. Special Session III shifted funding of the program from the general fund to this funding source beginning in fiscal 1987.

Difference From Executive: The approved budget differs only slightly from the executive recommendation. A \$1,200 automatic microfilm reel threader recommended by the executive was not included in the approved budget

AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: HIGHWAY PATROL DIVISION - CADETS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	1.92	3.75	3.75	0.00	3.75	3.75	0.00	1.83
Personal Services	\$28,413	\$61,272	\$61,358	\$ 86	\$61,171	\$61,254	\$ 83	115.95
Operating Expenses	7,589	27,317	20,493	(6,824)	27,314	20,480	(6,834)	170.04
TOTAL EXPENSES	\$36,002	\$88,589	\$81,851	\$(6,738)	\$88,485	\$81,734	\$(6,751)	127.35
FUNDING								
General Fund	\$36,002	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
State Special Revenue	0	88,589	81,851	(6,738)	88,485	81,734	(6,751)	100.00
TOTAL FUNDING	\$36,002	\$88,589	\$81,851	\$(6,738)	\$88,485	\$81,734	\$(6,751)	127.35

Program Description: The Cadets Program of the Highway Patrol Division is a training program to prepare candidates to become qualified Highway Patrol Officers. Qualified candidates are brought into the Highway Patrol on a training basis and attend a three month training course to become qualified to apply for vacant positions on the force.

Budget: The budget provides for an increase of 127.3 percent from fiscal 1986 to fiscal 1988. This increase is due to an increase in the number of cadets in the program from 8 to 15 per year. In the 1987 biennium, each cadet represented a 0.24 FTE, being in the program for 12 weeks. In the 1989 biennium, each cadet will represent a 0.25 FTE due to an increase in the program to 13 weeks. Personal services increases due to the increase in the length of the program by one week and the addition of seven cadets, increasing the FTE from 1.92 to 3.75. The additional cadets are deemed necessary due to an anticipated higher turnover rate in the patrol, primarily because a large number of patrolmen will become retirement eligible during the 1989 biennium. The Highway Patrol Division relies almost exclusively on the Cadets Program to fill vacant positions. Personal services also increase because of the pay plan increase. A 4 percent vacancy savings rate was applied to this program.

Operating expenses increase proportionately to the increase in the number of cadets in the program and the increased length of the basic course. Medical screening of candidates before entering the basic course is added at a cost of \$2,550, to ensure physical qualifications before expending funds to place them in the course.

Funding: The program is funded by the highway state special revenue account. The June 1986 special session of the legislature shifted funding of the program from the general fund to this funding source beginning in fiscal 1987.

Difference From Executive: The approved budget included the following reductions from the executive budget: 1) food service for cadet meals, \$3,200; 2) ammunition, \$1,000; 3) travel, \$600; and 4) maintenance and repair of the driving course, \$2,000.



AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: HIGHWAY PATROL DIVISION - MCSAP

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88	
		Executive	Legislature	Difference		Executive	Legislature	Difference		% Change	
FTE	6.00	6.00	12.00	6.00		6.00	12.00	6.00		6.00	6.00
Personal Services	\$102,354	\$147,394	\$339,447	\$192,053		\$147,372	\$339,447	\$192,075		231.64	
Operating Expenses	38,721	51,326	112,897	61,571		51,518	112,897	61,379		191.57	
Equipment	13,500	0	51,500	51,500		0	0	0		281.48	
TOTAL EXPENSES	\$154,575	\$198,720	\$503,844	\$305,124		\$198,890	\$452,344	\$253,454		225.95	
FUNDING											
State Special Revenue	\$ 0	\$ 0	\$ 71,633	\$ 71,633		\$ 0	\$ 61,333	\$ 61,333		100.00	
Federal Revenue	154,575	198,720	432,211	233,491		198,890	391,011	192,121		179.61	
TOTAL FUNDING	\$154,575	\$198,720	\$503,844	\$305,124		\$198,890	\$452,344	\$253,454		225.95	

Program Description: The Motor Carrier Safety Assistance (MCSAP) Program of the Highway Patrol Division is a federal program administered by the U.S. Department of Transportation for the purpose of inspecting trucks for compliance with safety standards.

Budget: The budget provides for a 226 percent increase from fiscal 1986 to fiscal 1988. The increase is because the program was transferred from the Public Service Commission at the beginning of fiscal 1986, and did not become fully manned and operational until approximately six months into fiscal 1986. The increase is also due to the MCSAP program expansion, as explained below.

Funding: The program is funded by federal funds from the U.S. Department of Transportation. There is a 20 percent match requirement, which is currently satisfied by a soft match, using highway patrolmen to conduct truck inspections along the highway or at GVW stations. The MCSAP Program expansion is detailed below.

Modifieds Approved:

1. MCSAP Program Expansion - The approved modified request increases the MCSAP Program by approximately 130 percent, expanding the number of FTE from 6.0 to 12.0. Additional federal funds are available for the program, and

the federal government has encouraged Montana to increase the program. An increase in the federal funding also requires an increase in the state match. Additional soft match utilizing highway patrolmen reduces the amount of time the officers have available for regular patrol duties. Therefore, the legislature approved the match for the increased federal funding as a hard match, to come from the highway state special revenue account. The modified budget provides for a total budget of \$503,844 in fiscal 1988 and \$452,344 in fiscal 1989. Of that amount, new highway gas tax state special revenue funds of \$71,633 in fiscal 1988 and \$61,333 in fiscal 1989 are included as match funds. Although the number of FTE doubles, program costs more than double due largely to the added hard match and to the increase of the travel appropriation by four times over 1987 biennium levels to allow for better coverage of the state. No vacancy savings was applied to the modified request.

Difference From Executive: The differences in the approved budget from the executive recommendation are attributable to the approval of the modified to expand the program as described above and the elimination of 4 percent vacancy savings recommended by the executive.

AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: HIGHWAY PATROL DIVISION - COMMUNICATIONS BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	23.05	23.05	2.00	23.05	2.00	2.00
Personal Services	\$422,804	\$428,966	\$34,590	\$427,857	\$35,051	9.64
Operating Expenses	12,486	23,041	(2,230)	23,064	(2,270)	66.67
TOTAL EXPENSES	\$435,290	\$452,007	\$32,360	\$450,921	\$32,781	11.27
FUNDING						
General Fund	\$241,563	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
State Special Revenue	193,727	452,007	32,360	450,921	32,781	150.03
TOTAL FUNDING	\$435,290	\$452,007	\$32,360	\$450,921	\$32,781	11.27

**Program Description:** The Communications Program of the Highway Patrol Division provides around-the-clock communication and radio dispatch from three regional dispatch centers, serving the entire area of the state east of the Continental Divide. The program also provides communication and radio dispatch service for other state agencies.

**Legislative Intent:** The Glendive Dispatch Center will be converted to a remote site serviced out of the Billings Dispatch Center. The 4.0 FTE at the Glendive site will be transferred to Missoula. A new dispatch center will be opened in Missoula, utilizing the 4.0 FTE transferred from Glendive along with one additional FTE which would cost approximately the same amount as the costs eliminated by cancellation of the current contract by the Uniformed Program for dispatch services with the Missoula 911 Center. The creation of a Missoula Dispatch Center is made possible by the completion in the 1987 biennium of the statewide highband radio network. The Missoula office would serve all of Montana west of the Continental Divide, providing a complete dispatch network in the Communications Bureau for the entire state.

**Language in the Bill:** Language is included in House Bill 2 requiring the Department of Justice to develop a cost allocation plan for the purpose of recovering the cost of communication and dispatch services provided to other agencies, and to submit the funding plan to the Fifty-first Legislature within the agency's 1991 biennium budget request. Currently the program is funded entirely by highway gas tax funds. It is the intent of the legislature that



the state special highway gas tax account be reimbursed for services provided to user agencies that are not funded by the gas tax funds. Agencies served include the Attorney General, Fire Marshall, Criminal Investigators, Department of Livestock, Department of Fish, Wildlife, and Parks, Disaster and Emergency Services, and the Department of Highways. Similar language had been included in the 1987 biennium appropriations bill, but the agency did not comply.

Budget: The budget provides for an 11.3 percent increase from fiscal 1986 to fiscal 1988, primarily due to increases in communications costs.

Personal services increase 9.6 percent due to the addition of 2.0 FTE to the program and the pay plan increase. The increases are partially offset by the application of a 4 percent vacancy savings rate to the program. One of the additional FTE comes from a transfer of a programmer analyst position from the Data Processing Division. The position had been vacant for over a year in the Data Processing Division. The position will be used in the Communications Program for a supervisor in the Helena center, at a cost of approximately \$24,000 in fiscal 1986. The second added FTE would be a new grade 8 dispatcher position, assigned to the new Missoula Dispatch Center. As mentioned above, the added cost of approximately \$17,000 per year is slightly higher than the contract services eliminated in the Uniformed Program for contract dispatch services in Missoula in prior biennia.

Operating costs increase \$6,000 due to the cost of newly installed telephone radio loops between Helena/Missoula and Billings/Glendive, installed as part of the highband radio network project, and \$1,700 due to increased costs for the installation of a statewide emergency telephone number for the use of citizens to identify their location when in trouble. Other minor adjustments increase operating costs an additional \$700.

Funding: The program is funded by the highway state special revenue account. The June 1986 special session of the legislature shifted funding of the program to this funding source beginning in fiscal 1987.

Difference From Executive: The approved budget is 7 percent higher than the executive recommendation, primarily due to the addition of 2.0 FTE. Personal services increase approximately \$41,000 over the executive recommendation due to the transfer of the programmer analyst position from the Data Processing Division and the addition of the dispatcher position in the Missoula Dispatch Center for the reasons described above. These increases are partially offset by a \$6,000 reduction in the executive recommendation for overtime wages and benefits. Operating costs eliminated in the approved budget included \$900 in one-time costs for supplies and materials and a \$1,300 reduction in the total increase allowed for communications costs.

BUDGET ITEM	AGENCY: DEPARTMENT OF JUSTICE		LEGISLATIVE ACTION				PROGRAM: REGISTRAR OF MOTOR VEHICLES			
	FY 1986 Actual		Executive	Fiscal 1988 Legislature	Difference		Executive	Fiscal 1989 Legislature	Difference	FY 86-88 % Change
FTE	70.00		70.00	70.00	0.00		70.00	73.00	3.00	0.00
Personal Services	\$1,212,409		\$1,256,364	\$1,256,844	\$ 480		\$1,255,425	\$1,300,854	\$ 45,429	3.67
Operating Expenses	678,437		669,306	790,039	120,733		661,391	794,878	133,487	16.45
Equipment	38,870		64,703	33,040	(31,663)		32,330	28,740	(3,590)	-15.00
TOTAL EXPENSES	\$1,929,716		\$1,990,373	\$2,079,923	\$ 89,550		\$1,949,146	\$2,124,472	\$175,326	7.78
FUNDING										
State Special Revenue	\$1,929,716		\$1,990,373	\$1,993,923	\$ 3,550		\$1,949,146	\$2,064,472	\$115,326	3.33
Federal/Other Revenue	0		0	86,000	86,000		0	60,000	60,000	N/A
TOTAL FUNDING	\$1,929,716		\$1,990,373	\$2,079,923	\$ 89,550		\$1,949,146	\$2,124,472	\$175,326	7.78

Program Description: The Motor Vehicle Registrar's Bureau provides a system of motor vehicle registration, a certificate of ownership, lien filing, and licensing of automobile dealers and manufacturers. This program also processes registration for boats and snowmobiles.

Legislative Intent: The agency budget request included \$4,000 for the installation of a suspended ceiling in the basement to prevent asbestos from falling on employees. This project was not approved due to concern that it was not the proper solution to a health hazard. A permanent solution to the problem was addressed by the Long Range Planning Committee.

Budget: The budget provides for a 7.8 percent increase from fiscal 1986 to fiscal 1988 due to increases in personal services and operating expenses. Personal services increase 3.7 percent from fiscal 1986 to fiscal 1988 due to the pay plan increase and increase \$44,000 in fiscal 1989 due to the addition of 3.0 FTE to administer the new boat registration program (House Bill 730). A 4 percent vacancy savings rate was applied to this program. Operating expenses increase \$20,000 in fiscal 1986 for the added provisions of House Bill 730 (boat registration), \$60,000 per year for the added provisions of Senate Bill 200 (motor vehicle property tax registration), \$15,700 for increased data processing charges by the Department of Administration, \$11,000 for printing costs including \$6,000 for new vehicle registration



decals and \$3,000 to print the County Treasurer's Manual in fiscal 1988 only, \$1,000 for new maintenance contracts for computer equipment, \$3,000 for increased freight charges to handle centennial plate issues, and \$2,400 to buy SORG paper. Operating expenses decrease \$3,300 for boiler inspection fees due to removal of the boiler, and other minor adjustments and inflation increase costs \$1,800. The equipment budget will allow \$7,740 for the purchase of six computer terminals per year, \$5,300 for the purchase of one computer printer per year, \$5,000 per year for the purchase of small office equipment, and \$9,000 in fiscal 1988 only for the payoff on a contract purchase of a microfiche reader-printer. In addition, \$6,000 in fiscal 1988 and \$4,700 in fiscal 1989 for office equipment plus \$6,000 in fiscal 1989 for computers is provided for the new boat registration program.

Funding: A federal grant of \$26,000 is provided by the Coast Guard in fiscal 1988 only to establish the boat registration function. Funding of \$60,000 per year to implement the changes to the motor vehicle property tax registration will be provided from the education trust fund. The balance of the program is funded by the motor vehicle fee state special revenue account.

#### Other Legislation:

1. Senate Bill 200 - Property Tax on Motor Vehicles - This act replaces the fee in lieu of tax on vehicles, motorcycles, and travel trailers with a property tax. The additional revenues generated by the new system will replace funds formerly granted to local governments by the block grant program. The Department of Justice is appropriated \$60,000 per year in House Bill 2 to carry out the provisions of the new registration system, including \$44,000 per year to lease the NADA car guide data base and \$16,000 for data processing costs.

2. House Bill 730 - Registration of Motorboats and Vessels - The legislature approved an act requiring a certificate of ownership (title) for motorboats and sailboats. The act has an effective date of July 1, 1988. House Bill 2 appropriates \$26,000 in federal funds in fiscal 1988 provided by the Coast Guard to implement the provisions of the bill, and \$82,900 in motor vehicle revenues in fiscal 1989 to operate the program, including \$44,900 for 3.0 FTE, all data entry operators.

3. House Bill 385 - Mail Notification of Vehicle Registration - This act provides a statutory requirement for the Department of Justice to give notice by mail to light vehicle owners of the need to reregister their vehicle, and to permit reregistration by mail. Renewal notices are line-itemed in House Bill 2 at \$88,000 per year for the 1989 biennium.

4. House Bill 492 - Increased Motor Vehicle Fees - The legislature increased motor vehicle fees for issuance of original ownership and transfer of title, the replacement of a lost certificate, filing security interests, and registration of vehicles. The increased fees will provide \$1.2 million in increased revenues in the 1989 biennium, which will be deposited into the motor vehicle state special revenue account to fund Department of Justice programs. The primary purpose of the fee increase is to provide new revenues for the state match on drug enforcement funds received from the federal government.

Difference From Executive: The approved budget is 4.5 percent above the executive recommendation in fiscal 1988, and 9 percent higher in fiscal 1989. The primary reasons for the increase are the added requirements to implement House Bill 730 and Senate Bill 200, and the inclusion of renewal notices for vehicle registration.



Personal services are higher than the executive recommendation in fiscal 1989 due to the addition of 3.0 FTE to implement the provisions of House Bill 730, boat registration.

Operating expenses increase due to the addition of \$60,000 per year to implement the motor vehicle property tax system, \$20,000 in fiscal 1988 and \$27,300 in fiscal 1989 to implement boat ownership registration, and \$52,000 per year to continue renewal notices for vehicle registration. The approved budget deleted \$11,500 in building repair costs recommended by the executive in fiscal 1988, and printing costs were reduced \$5,800 in fiscal 1989.

Equipment allowances approved by the legislature that were not included in the executive recommendation included \$6,000 in fiscal 1988 and \$10,700 in fiscal 1989 for the new boat registration program, and \$9,000 in fiscal 1988 only to pay the balance due on a microfiche reader-printer. Equipment recommended by the executive but not approved by the legislature included six additional computer terminals, printers, and software at a cost savings of \$25,073 in fiscal 1988 and \$14,040 in fiscal 1989, and office equipment of \$21,590 in fiscal 1988 and \$250 in fiscal 1989.

AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: LAW ENFORCEMENT SERVICES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Legislature	Difference	
FTE	2.00	2.00	0.00	2.00	0.00	0.00
Personal Services	\$67,993	\$68,266	\$ 13	\$68,150	\$ 13	0.42
Operating Expenses	8,768	10,055	(437)	9,734	(454)	9.69
Equipment	0	765	0	0	0	
TOTAL EXPENSES	\$76,761	\$79,086	\$(424)	\$77,884	\$(441)	2.48
GENERAL FUND	\$76,761	\$79,086	\$(424)	\$77,884	\$(441)	2.48

Program Description: The Law Enforcement Services Division administers three bureaus: Criminal Investigation, Fire Marshal, and Identification. These bureaus provide a broad spectrum of services vital to local, county, state, and federal law enforcement agencies throughout Montana.

Budget: The budget provides for a 2.5 percent increase from fiscal 1986 to fiscal 1988 due to increased operating expenses. Personal services increase due to the pay plan increase, but that increase is offset by the application of a 4 percent vacancy savings to the budget, as the program experienced no vacancy savings in fiscal 1986. Operating expenses increase due to approval of an increase in travel expenses. Travel expenses were low in fiscal 1986 as the division administrator did not travel during the six months he was acting director of the Law Enforcement Academy. Equipment of \$765 in fiscal 1988 is for a file cabinet and a sound shield acoustical cover for the word processor printer.

Difference From Executive: Operating expenses were decreased slightly to reduce allowances for gasoline and dues to historical levels.

AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: COUNTY ATTORNEY PAYROLL

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	28.00	28.00	18.60	28.00	18.60	-9.40
Personal Services	\$1,587,734	\$925,444	\$924,317	\$951,101	\$937,463	-41.78
TOTAL EXPENSES	\$1,587,734	\$925,444	\$924,317	\$951,101	\$937,463	-41.78
GENERAL FUND	\$1,587,734	\$925,444	\$924,317	\$951,101	\$937,463	-41.78

Program Description: The County Attorney Payroll Program pays one-half of the salary and benefits of the 56 county attorneys from the state general fund, as required under Section 7-4-2502, MCA.

Budget: The budget provides for a 41.8 percent decrease from fiscal 1986 to fiscal 1988. The significant decrease occurs due to passage of Senate Bill 7 in the June 1986 special session which removed the requirement, beginning in fiscal 1987, that the state general fund pay for deputy county attorney salaries. In fiscal 1986, the law required payment of one-half the salary of up to two deputy county attorneys per county.

The reduction of 9.4 FTE shown in the table above reflects a change in the way county attorney FTE are calculated for payroll purposes. It has no impact on the actual number of positions or the amount of pay.

The budget provides for the increased pay for one county attorney due to that county's decision to increase the position from part-time to full-time, and provides for 1.2 percent pay increases each year for the county attorneys, at an increased cost of \$12,000 in fiscal 1988 and \$23,000 in fiscal 1989. By statute, pay increases are at the discretion of county commissioners, within certain limits. The law also allows the county commissioners to freeze the salaries, which was done by 31 of the counties in fiscal 1987.

Difference From Executive: The only significant adjustment to the executive budget was to eliminate the recommendation that the salaries of the 31 county attorneys frozen in fiscal 1987 be elevated to the fiscal 1987 pay scale. Instead, the 1.2 percent pay raise was based upon the current salary paid.



AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: LAW ENFORCEMENT ACADEMY PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	11.00	10.58	10.00	-0.58	10.58	10.00	-0.58	-1.00
Personal Services	\$277,033	\$295,350	\$274,782	\$(20,568)	\$294,893	\$274,365	\$(20,528)	-0.81
Operating Expenses	304,729	311,995	344,509	32,514	319,852	366,891	47,039	13.05
Equipment	6,587	8,796	6,500	(2,296)	8,470	3,000	(5,470)	-1.32
TOTAL EXPENSES	\$588,349	\$616,141	\$625,791	\$ 9,650	\$623,215	\$644,256	\$21,041	6.36
FUNDING								
State Special Revenue	\$583,590	\$616,141	\$625,791	\$ 9,650	\$623,215	\$644,256	\$21,041	7.23
Federal Revenue	4,759	0	0	\$0	0	0	0	-100.00
TOTAL FUNDING	\$588,349	\$616,141	\$625,791	\$ 9,650	\$623,215	\$644,256	\$21,041	6.36

Program Description: The Law Enforcement Academy Division provides a professional education and training program in criminal justice for Montana law enforcement officers and other criminal justice personnel.

Language in The Bill: Language was included in the general appropriations act (House Bill 2) that requires the Department of Justice to purchase the modular facilities in Bozeman that currently house the Law Enforcement Academy using funds from the Law Enforcement Academy budget. The intent of the legislature is that the buildings be purchased in a buyout of the lease agreement using as much as necessary of the \$151,200 per year included in the 1989 biennium budget for building rent.

Budget: The budget provides for a 6.4 percent increase from fiscal 1986 to fiscal 1988. Personal services increase for pay plan increases, but that increase is more than offset by the application of a 4 percent vacancy savings rate to the budget. The division actually experienced a higher vacancy savings rate in fiscal 1986, but the savings was utilized by the agency to raise the director's salary nearly 17 percent to go from a bureau chief position to division head. The approved budget eliminates a 1.0 FTE grade 15 training officer which had been upgraded by the agency to a grade 18 lawyer, but was never filled in fiscal 1986. The elimination of the position saved approximately \$36,200 in fiscal 1988. The position was to be used for training. With the position vacant in fiscal 1986, the Academy contracted

for legal services. Operating expenses increase due to the addition of the modifieds for a first responder course, an executive institute, and an added basic course. Those increases are partially offset as the rent allowance was decreased by \$2,900 in fiscal 1988 and \$9,800 in fiscal 1989. Other minor adjustments result in a net decrease below fiscal 1986 levels of \$1,200. The equipment budget provides for \$3,000 each year for miscellaneous training equipment and a \$3,500 line-itemed, biennial appropriation in fiscal 1988, to be expended only for handguns required for training.

#### Modifieds Approved:

1. First Responder/Emergency Vehicle Operation Training - The approved modified allows the Academy authority to provide certified medical training in lifesavings skills and emergency vehicle driving skills to entry level officers at the Academy. Funds will be provided by state special revenue tuition funds from tuition increases to pay for the additional training component. The modified request provides \$10,363 in fiscal 1986 and \$24,778 in fiscal 1989. There is no added FTE requirement.

2. Executive Institute - The approved modified allows the academy funds to provide a series of six executive level seminars each year which address contemporary issues of concern to principal justice administrators. The seminars will be funded by the state special revenue tuition account using tuition fees charged to participants. There is no added FTE requirement. The modified request provides for \$25,310 in each year of the biennium.

3. Additional Basic Course - The approved modified allows the academy to conduct one additional basic course annually beginning in fiscal 1989 to provide a total of four basic courses per year. The additional course would allow the Law Enforcement Academy to limit class size to 30 students. The amount approved was \$15,984 in fiscal 1989 only, to be funded by the motor vehicle state special revenue account. Approval was made contingent upon passage of House Bill 492, as there are not enough projected funds in the motor vehicle account to fund the modified under present law. House Bill 492 increased motor vehicle fees. There is no added FTE requirement in this modified.

Funding: There are two sources of funding for the academy -- tuition/fees and the motor vehicle account. Tuition is charged for certain classes taught by the academy, particularly specialized classes. The motor vehicle account funds the balance of the budget.

Difference From Executive: The approved budget is 1.6 percent above the executive recommendation in fiscal 1988 and 3.4 percent higher in fiscal 1989. Personal services are lower due to deletion of a 1.0 FTE lawyer position in the approved budget. The executive recommended reducing the position to 0.58 FTE. Operating expenses are increased \$43,900 in fiscal 1988 and \$66,072 in fiscal 1989 for the three additional courses approved as modifieds. Those increases are partially offset by the following reductions from the executive recommendation: 1) elimination of funding of \$3,500 in fiscal 1988 and \$4,300 in fiscal 1989 for additional contract instructors; 2) disallowance of an increase in gasoline of \$1,600 per year; 3) elimination of \$3,000 per year for fitness center membership for students; 4) reduction in the rent allowance of \$2,900 in fiscal 1988 and \$9,800 in fiscal 1989; and 5) minor reductions of \$400 per year. Equipment allowance reductions are in training equipment.



AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: FIRE MARSHAL PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	8.00	7.75	8.00	0.25	7.75	8.00	0.25	0.00
Personal Services	\$247,895	\$231,681	\$237,280	\$ 5,599	\$231,948	\$237,547	\$ 5,599	-4.28
Operating Expenses	77,138	69,242	71,195	1,953	69,816	71,936	2,120	-7.70
Equipment	14,400	26,872	9,852	(17,020)	1,200	9,852	8,652	-31.58
TOTAL EXPENSES	\$339,433	\$327,795	\$318,327	\$ (9,468)	\$302,964	\$319,335	\$16,371	-6.22
FUNDING								
General Fund	\$326,272	\$327,795	\$318,327	\$ (9,468)	\$302,964	\$319,335	\$16,371	-2.44
Federal Revenue	13,161	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$339,433	\$327,795	\$318,327	\$ (9,468)	\$302,964	\$319,335	\$16,371	-6.22

**Program Description:** The Fire Marshal Bureau is responsible for reducing the loss of life and property from fire, explosion, and arson. Services offered through this program are fire and arson investigation, inspection of state-owned buildings, fire code interpretation and enforcement, and the collection of fire data through the fire incident reporting system.

**Budget:** The budget provides for a 6.2 percent decrease from fiscal 1986 to fiscal 1988. Personal services increase due to the pay plan increase, but that increase is more than offset by application of a 4 percent vacancy savings rate in the 1988 budget, whereas no vacancy savings were realized in fiscal 1986. Operating expenses decrease approximately \$6,000 for the removal of various one-time expenditures. The equipment budget provides \$8,652 each year for the replacement of one vehicle per year, and \$1,200 each year for the replacement of flammable gas detectors.

**Difference From Executive:** The approved budget is 2.9 percent lower than the executive recommendation in fiscal 1988, but 5.4 percent higher in fiscal 1989. Personal services are higher due to non-approval of the executive recommendation to reduce one deputy fire marshal position from 1.0 FTE to 0.75. Operating expenses are higher due to non-approval of executive recommended cuts in contract services and travel to make the 5 percent cuts permanent. Equipment approved includes \$8,652 per year for vehicles that were not included in the executive recommendation. In fiscal 1988 equipment recommended by the executive but not approved includes \$18,172 for highband radios and \$7,500 for an IBM computer.



AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: IDENTIFICATION BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	8.00	7.00	7.00	0.00	7.00	7.00	0.00	-1.00
Personal Services	\$166,664	\$164,108	\$164,152	\$ 44	\$163,953	\$164,002	\$ 49	-1.51
Operating Expenses	66,492	68,440	67,003	(1,437)	70,471	68,507	(1,964)	0.77
Equipment	563	6,674	5,579	(1,095)	579	579	0	890.94
TOTAL EXPENSES	\$233,719	\$239,222	\$236,734	\$(2,488)	\$235,003	\$233,088	\$(1,915)	1.29
GENERAL FUND	\$233,719	\$239,222	\$236,734	\$(2,488)	\$235,003	\$233,088	\$(1,915)	1.29

Program Description: The Identification Bureau collects, preserves, and disseminates criminal history record information; provides latent print services; and provides related training to criminal justice agencies throughout the state and nation. The bureau maintains the automated Criminal History Record Information System, which contains arrest records, charges, dispositions, and descriptions on individuals who have criminal histories. This file is available to all law enforcement officials who have access to the Law Enforcement Network System.

Budget: The budget provides for a 1.3 percent increase from fiscal 1986 to fiscal 1988, due primarily to increased equipment requirements. Personal services increase due to the pay plan, but that increase is more than offset by the application of a 4 percent vacancy savings rate to the program in fiscal 1988 and the elimination of a 1.0 FTE grade 6 administrative clerk at the request of the agency. Operating expenses are continued at fiscal 1986 levels with minor adjustments. Equipment budgeted is \$5,000 in fiscal 1988 for the replacement and installation of a fuming cabinet, and \$579 each year for the purchase of file cabinets.

Difference From Executive: The approved budget eliminated executive recommendations for increased out-of-state travel and photographic supplies, and did not approve the purchase of new chairs in fiscal 1988.

AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: CRIMINAL INVESTIGATION BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	6.00	6.00	7.00	1.00	6.00	7.00	1.00	1.00
Personal Services	\$155,294	\$180,287	\$210,930	\$ 30,643	\$180,279	\$210,881	\$ 30,602	35.83
Operating Expenses	46,919	43,487	56,425	12,938	43,969	56,994	13,025	20.26
Equipment	3,946	30,040	30,066	26	9,000	0	(9,000)	661.94
TOTAL EXPENSES	\$206,159	\$253,814	\$297,421	\$ 43,607	\$233,248	\$267,875	\$ 34,627	44.27
FUNDING								
General Fund	\$156,840	\$202,959	\$180,805	\$ (22,154)	\$181,996	\$165,527	\$ (16,469)	15.28
Federal Revenue	49,319	50,855	116,616	65,761	51,252	102,348	51,096	136.45
TOTAL FUNDING	\$206,159	\$253,814	\$297,421	\$ 43,607	\$233,248	\$267,875	\$ 34,627	44.27

Program Description: The Criminal Investigation Bureau is required by statute to assist city, county, state, and federal law enforcement agencies at their request by providing expert and immediate aid investigation and solution of felonies committed in Montana, and by investigating apparent violations of penal statutes disclosed by the audit of a state agency conducted by the Legislative Auditor and reported by him to the Attorney General and the Governor. The program also collects, analyzes, and disseminates criminal investigative information throughout the law enforcement community in Montana and other states.

Budget: The budget provides for a 44.3 percent increase from fiscal 1986 to fiscal 1988 due to increases in personal services and equipment requirements and the approval of a modified request to add a customs investigator. Personal services increase due the addition of a 1.0 FTE customs investigator at a cost of \$30,610 in fiscal 1988 and \$30,557 in fiscal 1989, the pay plan, and a vacancy savings rate of 17 percent in fiscal 1988, which was significantly more than the 4 percent vacancy savings rate applied to the budget in fiscal 1988. The vacancy savings incurred in fiscal 1986 was predominantly in the federally funded positions. Operating expenses increase \$12,252 per year for expenses related to adding the customs investigator, and decrease \$2,746 due to several minor adjustments. Equipment budgeted includes \$9,000 in fiscal 1988 only for the purchase of vehicles, either new or used, based on needs for undercover work. In addition, equipment funds approved in fiscal 1988 are \$14,131 for a vehicle and other equipment for the new customs investigator, \$1,935 for five tape recorders, and \$5,000 for the purchase of a photographic image computer.

Funding: Federal funds are from the Rocky Mountain Information System (RMIN), which is an eight state regional intelligence sharing network comprised of local, state, and federal intelligence agencies. RMIN's goal is to provide law enforcement agencies with support in the detection, enforcement, and prosecution of criminal activities that cross jurisdictional boundaries. These federal funds support 2.0 FTE, a grade 9 secretary and a grade 15 program officer, and 30 percent of the operating expenses. Additional federal spending authority is granted for the modified described below, to come from federal special law enforcement assistance funds. General fund supports the balance of the program.

Modifieds Approved:

1. Customs Investigator - The approved modified request, contingent upon availability of federal funds, is for a 1.0 FTE criminal investigator to work with U. S. Customs special agents on border interdiction along the Montana/Canadian border. The modified would be funded by the federal special law enforcement assistance account. The modified provides spending authority in the event federal money becomes available in the account. The state special revenue account is anticipated to receive funds from the federal government as proceeds from a forfeiture in a felony bust in which the state participated. The budget for this modified is \$56,993 in fiscal 1988 and \$42,809 in fiscal 1989.

Difference From Executive: The approved budget is 17 percent above the executive recommendation in fiscal 1988 and 15 percent higher in fiscal 1989. The increases in personal services and in operating expenses are due to the addition of the modified for the customs investigator. In fiscal 1988, the approved budget adds \$14,131 in vehicle and other equipment for the new customs investigator, but that increase is offset by the disapproval of \$14,105 in radio equipment recommended by the executive. In fiscal 1989, \$9,000 for the purchase of vehicles was disapproved.



AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: CRIMINAL INVESTIGATION - COAL BOARD

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	5.00	5.00	14.75	9.75	5.00	16.00	11.00	9.75
Personal Services	\$164,808	\$146,780	\$435,738	\$288,958	\$146,820	\$473,334	\$326,514	164.39
Operating Expenses	86,161	84,780	256,678	171,898	83,214	299,255	216,041	197.91
Equipment	16,619	0	103,280	103,280	0	36,591	36,591	521.46
TOTAL EXPENSES	\$267,588	\$231,560	\$795,696	\$564,136	\$230,034	\$809,180	\$579,146	197.36
FUNDING								
State Special Revenue	\$ 0	\$ 0	\$145,864	\$145,864	\$ 0	\$129,136	\$129,136	100.00
Federal and Other Revenue	267,588	231,560	649,832	418,272	230,034	680,044	450,010	142.85
TOTAL FUNDING	\$267,588	\$231,560	\$795,696	\$564,136	\$230,034	\$809,180	\$579,146	197.36

Program Description: The Criminal Investigation - Coal Board Program (Special Investigation Section of the Criminal Investigation Bureau) provides undercover criminal investigative services, primarily in illegal drugs and stolen property, to the Eastern Coal Counties Task Force. The counties served are Yellowstone, Big Horn, Rosebud, Treasure, Powder River, Carbon, Custer, Musselshell, and Stillwater. In addition, the program administers the statewide drug enforcement undercover unit funded by a federal grant.

Budget: Prior to the modifieds, the current level budget provides for a 13.6 percent decrease from fiscal 1986 to fiscal 1988, primarily due to personal services reductions and no new requirements for equipment. With the addition of the modifieds for the criminal investigator and the statewide drug enforcement unit, the budget has a resulting increase of nearly 200 percent.

Personal services decrease nearly 11 percent before the modifieds because of an overexpenditure of personal services in fiscal 1986 that was not budgeted in fiscal 1988, and the application of a 4 percent vacancy savings in fiscal 1988. Personal services were overexpended in fiscal 1986 due to no vacancy savings and due to legal services staff hours provided by the County Prosecutor Services Program being charged to this program. With the addition of the modifieds, 9.75 FTE are added in fiscal 1988 at a cost of \$288,949, and 10.0 FTE are added in fiscal 1989 at a cost of \$326,494, for a resulting 164 percent increase in personal services.

Operating expenses decrease slightly before the modifieds due to minor adjustments. Funding for an apartment in Billings was eliminated, but the legislature did not object to use of an apartment if it were less expensive than other lodging costs when investigators travelled. The entire increase in operating expenses is due to the addition of \$172,385 in fiscal 1988 and \$216,300 in fiscal 1989 for the two modifieds.

The equipment budget is entirely for vehicles and law enforcement equipment for the statewide undercover drug unit.

Funding: The current level program plus the modified for an additional criminal investigator are to be funded by a grant from the Eastern Counties Task Force, which receives its funding from the Montana Coal Board. However, continued coal board funding is questionable. The legislature appropriated the spending authority to the Department of Justice for the program, if funding becomes available. However, through an apparent oversight, appropriation authority was not approved for the coal board to give such a grant to the Department of Justice in the 1988 biennium, even though sufficient revenues are available in the local impact account to fund the grant to the Eastern Coal Counties Task Force to continue the program. Without further legislative action or the use of executive budget authority, funding is not available for the eastern counties program.

Funding for the undercover drug unit is as shown in Table 8.

#### Modifieds Approved:

1. Criminal Investigator - The approved modified request is, contingent upon availability of federal or other special funds, for a 1.0 FTE investigator position plus operating expenses in the Special Investigation Section. It would increase the total number of investigators in the program to five. The new agent would work narcotics and stolen property cases. The spending authority was approved contingent upon the availability of either coal board funds or Board of Crime Control federal grant funds. The approved modified request provides for \$68,140 spending authority in fiscal 1988 and \$68,087 in fiscal 1989.

2. Undercover Unit - The approved modified request is for authority to establish a statewide investigative program to combat trafficking in illegal drugs and stolen property. The modified as approved authorizes a state investigative team of 8.75 FTE in fiscal 1988 and 10.0 FTE in fiscal 1989 to carry out ongoing undercover investigations against traffickers in illegal drugs and stolen property at the request of local agencies. Federal grant funds administered by the Board of Crime Control for anti-drug enforcement are expected to be made available, but will require a 25 percent cash match using new dollars. The match funds will be provided by increased motor vehicle fees resulting from passage of House Bill 492. The approved modified request provides the following spending authority.

Table 8  
Undercover Unit Modified Request

	Fiscal 1988	Fiscal 1989
Federal Special Revenue (Board of Crime Control grant funds)	\$350,610	\$382,162
State Special Revenue (motor vehicle funds)	145,864	129,136
Total	<u>\$496,474</u>	<u>\$511,298</u>

Other Legislation:

1. Senate Bill 228 - Allocation of Coal Severance Tax Proceeds - This act revised the allocation of that portion of the coal severance tax proceeds and interest not specifically dedicated to the permanent trust. The bill as approved was amended to provide additional funds for the local impact account, and it was clear from floor discussion that the intent of the amendment was to provide sufficient funds to allow the Eastern Coal Counties Task Force to provide a grant to the Department of Justice to continue the program. However, as discussed earlier, appropriation authority was inadvertently never given to the Coal Board to make the grant to the Eastern Counties Task Force.

Difference From Executive: The only significant adjustments to the executive budget were the addition of the modifications for the criminal investigator and the statewide drug enforcement unit, at a cost of \$564,614 in fiscal 1988 and \$579,385 in fiscal 1989.



AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: CENTRAL SERVICES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	10.00	9.15	9.15	0.00	9.15	9.15	0.00	-0.85
Personal Services	\$269,882	\$259,727	\$260,048	\$ 321	\$259,592	\$259,926	\$ 334	-3.64
Operating Expenses	98,535	125,110	116,694	(8,416)	95,560	85,199	(10,361)	18.43
Equipment	7,348	11,000	11,000	0	11,000	11,000	0	49.70
TOTAL EXPENSES	\$375,765	\$395,837	\$387,742	\$ (8,095)	\$366,152	\$356,125	\$ (10,027)	3.19
FUNDING								
General Fund	\$353,682	\$363,151	\$351,964	\$ (11,187)	\$355,152	\$344,299	\$ (10,853)	-0.49
State Special Revenue	21,488	30,662	33,603	2,941	11,000	11,826	826	56.38
Federal Revenue	0	1,446	1,597	151	0	0	0	100.00
Other Revenue	595	578	578	0	0	0	0	-2.86
TOTAL FUNDING	\$375,765	\$395,837	\$387,742	\$ (8,095)	\$366,152	\$356,125	\$ (10,027)	3.19

Program Description: The Central Services Division provides the administrative, budgeting, accounting, and fiscal support for the Department of Justice.

Budget: The budget provides for a 3.2 percent increase from fiscal 1986 to fiscal 1988, primarily due to audit fees. Personal services decrease in spite of the pay plan increase due to overexpenditure of personal services in fiscal 1986, the application of a 4 percent vacancy savings to the budget in fiscal 1988, and the elimination of a 0.85 FTE grade 9 accounting technician. The 0.85 FTE reduction saves approximately \$14,800 general fund in fiscal 1988. Operating expenses, which increase approximately \$13,000, include a biennial appropriation for legislative audit fees. The full amount of \$31,335 is included in fiscal 1988. The biennial audit fees in the 1987 biennium were \$29,747, of which only \$13,954 was expended in fiscal 1986, or approximately \$18,000 less than appropriated in fiscal 1988. Equipment is budgeted at \$10,000 per year for vehicles and \$1,000 per year for radios, for replacement of Department of Justice insurance reimbursed equipment.

Funding: The Central Services Division is supported by general fund with the exception of \$23,952 in fiscal 1988 for reimbursement of audit funds and \$11,826 each year for insurance reimbursement. The Department of Justice audit fee

is paid out of the Central Services Division, and non-general fund sources are allocated a share of the total audit cost, including \$5,810 from the motor vehicle state special revenue account, \$15,967 from the highways state special revenue account, \$1,597 from the Department of Justice highway traffic safety grant funds special revenue account, and \$578 from the Agency Legal Services proprietary account. The funds for insurance reimbursement come from the Department of Justice insurance clearing state special revenue account.

Difference From Executive: The only significant adjustments from the executive recommendation were in operating expenses, where \$3,000 was added for increased audit fees in fiscal 1988, and approximately \$11,000 per year for grounds maintenance was deleted. The funding for the grounds maintenance in the approved budget was allocated to each program in the Department of Justice, whereas the executive budget included the entire amount in the Central Services Division.

AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: DATA PROCESSING DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	15.00	15.00	14.00	-1.00	15.00	14.00	-1.00	-1.00
Personal Services	\$337,334	\$419,796	\$396,979	\$ (22,817)	\$419,342	\$396,583	\$ (22,759)	17.68
Operating Expenses	456,690	484,794	492,372	7,578	481,714	489,420	7,706	7.81
Equipment	10,153	8,221	2,500	(5,721)	8,221	2,500	(5,721)	-75.38
TOTAL EXPENSES	\$804,177	\$912,811	\$891,851	\$ (20,960)	\$909,277	\$888,503	\$ (20,774)	10.90
FUNDING								
General Fund	\$310,795	\$301,225	\$ 0	\$ (301,225)	\$307,690	\$ 0	\$ (307,690)	-100.00
State Special Revenue	493,382	611,586	891,851	280,265	601,587	888,503	286,916	80.76
TOTAL FUNDING	\$804,177	\$912,811	\$891,851	\$ (20,960)	\$909,277	\$888,503	\$ (20,774)	10.90

Program Description: The Data Processing Division provides a full range of automated data processing and telecommunication services for the Department of Justice, including: System development and maintenance of the motor vehicle registration system, driver history system, criminal history record information system, and the Montana Uniform Crime Reporting System; computer operator support for the Armory computer center; and system development and support for the Criminal Justice Information Network (CJIN). CJIN links law enforcement/criminal justice agencies with information sources at local, state, and national levels by interfacing with the National Law Enforcement Telecommunications System, the National Crime Information Center, and numerous State of Montana files.

Budget: The budget provides for a 10.9 percent increase from fiscal 1986 to fiscal 1988, due primarily to high vacancy savings in fiscal 1986 and increased data processing charges. Personal services increases 17.7 percent due to a 14 percent vacancy savings rate in fiscal 1986 during a period of program transfers and reorganization, the fiscal 1987 pay plan increase, and position upgrades. A 4 percent vacancy savings rate was applied to the program. A 1.0 FTE grade 12 programmer analyst, vacant all of fiscal 1986, was transferred to the Communications Bureau. Operating costs increase 7.8 percent due to increases of \$41,500 in data processing services charged by the Department of Administration, and increases of \$14,400 in utility charges for electricity due to undercharges in past years. Communications costs were reduced \$16,900, including \$7,500 to eliminate a toll-free line for user agencies of the CJIN



network for technical assists and \$9,400 for reductions in the cost of a back-up communications line to the National Crime Information Center. An additional \$2,500 was removed from building maintenance, and other minor adjustments reduced expenses \$818, for a net increase in total operating expenses of \$35,682. Equipment was budgeted at \$2,500 per year for maintenance of the present data processing system.

Funding: The CJIN network, which was transferred to the Data Processing Division from the Communications Bureau, is supported by the CJIN state special revenue account, and receives its revenue from fees to user agencies, which are \$188,000 per year in the 1989 biennium. The balance of the budget is supported by motor vehicle funds, since a high percentage of the data processing function is motor vehicle registration administration. General fund support in the 1987 biennium has been replaced by motor vehicle funds in the 1989 biennium.

Difference From Executive: The approved budget is 2.3 percent lower than the executive recommendation. The difference is primarily due to the elimination of a 1.0 FTE programmer analyst position, which accounts for the entire difference in personal services. The position had been held vacant in the 1987 biennium. Operating expenses were higher than the executive budget due to non-approval of recommended cuts in supplies and materials, communications, and repair and maintenance to make the fiscal 1987 5 percent cuts permanent. Equipment was reduced due to non-approval of any allowance for new office equipment.

# LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF JUSTICE

PROGRAM: EXTRADITION AND TRANSPORTATION OF PRISONERS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Legislature	Difference	
FTE	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING EXPENSES	\$147,337	\$144,971	\$2,350	\$147,337	\$2,358	-0.01
GENERAL FUND	\$147,337	\$144,971	\$2,350	\$147,337	\$2,358	-0.01

Program Description: The Extradition and Transportation of Prisoners Program pays claims to sheriffs for expenses of transporting certain prisoners to state prison and for claims of any agent employed by the state to return a fugitive from justice to this state by order of the Governor.

Budget: The budget is maintained at fiscal 1986 levels with minor adjustments for inflation.

Difference From Executive: The approved budget is slightly higher than the executive recommendation due to non-approval of recommended cuts in travel to make the 5 percent cuts permanent.

AGENCY: DEPARTMENT OF JUSTICE

LEGISLATIVE ACTION

PROGRAM: FORENSIC SCIENCE DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	15.00	14.00	15.00	1.00	14.00	15.00	1.00	0.00
Personal Services	\$477,603	\$474,258	\$497,372	\$ 23,114	\$473,867	\$496,954	\$ 23,087	4.14
Operating Expenses	210,287	283,125	270,427	(12,698)	286,410	275,646	(10,764)	28.60
Equipment	49,457	42,869	48,000	5,131	23,664	0	(23,664)	-2.95
TOTAL EXPENSES	\$737,347	\$800,252	\$815,799	\$ 15,547	\$783,941	\$772,600	\$(11,341)	10.64
FUNDING								
General Fund	\$ 0	\$291,687	\$ 0	\$(291,687)	\$368,327	\$ 0	\$(368,327)	N/A
State Special Revenue	733,126	508,565	815,799	307,234	415,614	772,600	356,986	11.23
Federal Revenue	4,221	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$737,347	\$800,252	\$815,799	\$ 15,547	\$783,941	\$772,600	\$(11,341)	10.64

Program Description: The Forensic Science Division, which includes the Crime Laboratory, provides for a statewide system of death investigations, forensic science training, scientific criminal investigations in the state, and scientific analysis of specimens submitted by law enforcement officials, coroners, and state agencies. The laboratory analyzes blood, breath, and urine samples taken by law enforcement officers in connection with driving under the influence of alcohol or drugs (DUI) cases. The laboratory also performs drug and alcohol screens for the state Department of Institutions.

Budget: The budget provides for a 10.6 percent increase from fiscal 1986 to fiscal 1988, primarily due to a significant building rent increase and increased equipment maintenance costs.

Personal services increase due to the pay plan increase and position upgrades. A 4 percent vacancy savings rate is applied to this program.

Operating expenses increase 28.6 percent, or \$60,140, from fiscal 1986 to fiscal 1988. Rent accounts for 70 percent of this increase or \$42,110 over the base year. However, the base year includes three months at the



increased rate. The actual annual rent increase is \$52,900, a 170 percent increase. The increased rent is due to the move to a new building after the state architect cited unsafe structural conditions in the old building. Janitorial costs in the new building increase \$3,960, while utility costs decrease \$4,430. Utility costs are included in the new contract. Equipment maintenance costs increase \$23,110 in fiscal 1988 and \$26,810 in fiscal 1989. The increased maintenance on general laboratory equipment is 52 percent. The increase is partially due to expiration of warranty periods, particularly on DUI program breath testing equipment. One-time expenses for the move to a new building are removed from the budget, and other minor adjustments result in a net increase of \$705.

The equipment budget was approved as a line-itemed, biennial appropriation for lab equipment, including \$38,000 for gas chromatograph equipment and \$10,000 for fume hoods.

Funding: The program is funded at approximately 18 percent of total costs by alcoholism treatment state special revenue funds due to the laboratory testing done by the division for the DUI program primarily with breath testing equipment. The balance of the program is funded by the motor vehicle state special revenue fund.

Difference From Executive: The approved budget is 1.9 percent above the executive recommendation in fiscal 1988, but is 1.4 percent lower in fiscal 1989. Personal services increase due to inclusion of a 1.0 FTE chemist position recommended for deletion by the executive. Operating expenses were below the executive recommendation due to: 1) non-approval of \$3,600 per year for additional contracted lab assistance; 2) non-approval of a \$3,100 per year increase in travel; 3) disallowance of \$4,100 per year for an inflationary increase in rent; and 4) other minor reductions of \$1,900 in fiscal 1988. The approved budget included the executive recommendation for gas chromatographs and fume hoods, but made them a line-itemed, biennial appropriation, and did not approve recommendations for additional lab equipment, typewriters, and file cabinets.

Differences in funding were due to utilization of the remaining balance in the motor vehicle state special revenue account to replace general fund.

AGENCY: HIGHWAY TRAFFIC SAFETY DIVISION

LEGISLATIVE ACTION

PROGRAM: HIGHWAY TRAFFIC SAFETY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	8.50	8.50	8.50	0.00		8.50	8.50	0.00		0.00
Personal Services	\$ 245,222	\$ 248,299	\$ 258,645	\$10,346		\$ 247,942	\$ 258,274	\$10,332		5.47
Operating Expenses	315,357	199,800	197,587	(2,213)		197,880	195,768	(2,112)		-37.34
Equipment	14,886	1,650	1,500	(150)		2,393	1,900	(493)		-89.92
Grant funds	933,701	720,000	720,000	0		720,000	720,000	0		-22.89
TOTAL EXPENSES	\$1,509,166	\$1,169,749	\$1,177,732	\$ 7,983		\$1,168,215	\$1,175,942	\$ 7,727		-21.96

FUNDING

State Special Revenue	\$ 70,794	\$ 72,000	\$ 72,000	\$ 0		\$ 72,000	\$ 72,000	\$ 0		1.70
Federal Revenue	1,438,372	1,097,749	1,105,732	7,983		1,096,215	1,103,942	7,727		-23.13
TOTAL FUNDING	\$1,509,166	\$1,169,749	\$1,177,732	\$ 7,983		\$1,168,215	\$1,175,942	\$ 7,727		-21.96

Program Description: Highway Traffic Safety Division assists local and state governmental entities in promoting traffic safety in order to reduce death, injury, and property loss that result from highway traffic accidents. Current program priorities include alcohol education and occupant restraint usage projects.

Budget: The budget provides for a 22 percent decrease from fiscal 1986 to fiscal 1988. Personal services increase 5.5 percent, primarily due to the pay plan increase. There was no vacancy savings applied to this program. The primary reasons for the decrease from fiscal 1986 levels is the elimination of a special grant of \$125,300 provided in fiscal 1986 only, and the reduction in grant funds available for distribution to state and local agencies by \$213,700 due to a decrease in federal funds available. A biennial appropriation of \$2,364 for audit fees is included in fiscal 1988 only. Equipment budgeted is \$1,200 for computer and field monitoring equipment replacement, \$300 for additional films for the film library, and \$400 to purchase a typewriter in fiscal 1989.

Funding: Funding is provided by federal funds from the National Highway Traffic Safety Administration. A 50 percent state match on administration and planning costs is required in order to secure the federal funds. The state's 50 percent match, \$72,000, comes from the Highway Gas Tax State Special Revenue Account.

Other Legislation:

1. House Bill 277 - County Drinking Prevention Programs - The legislature approved an act authorizing counties to establish drinking and driving prevention programs, to be funded by a new driver's license reinstatement fee. The bill makes a biennium appropriation from the general fund to the Highway Traffic Safety Division. All money collected for driver's license reinstatement from counties with a drinking and driving prevention program is to be distributed to the counties of origin.

Difference From Executive: The approved budget included only minor adjustments from the executive recommendation. In personal services, the executive budget had included 4 percent vacancy savings, but no vacancy savings were included in the approved budget. Operating expenses were reduced to eliminate one-time expenditures.



AGENCY: BOARD OF CRIME CONTROL

LEGISLATIVE ACTION

PROGRAM: BOARD OF CRIME CONTROL

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	14.00	13.00	17.00	4.00	13.00	17.00	4.00	3.00
Personal Services	\$ 408,043	\$ 397,301	\$ 486,156	\$ 88,855	\$ 397,205	\$ 486,114	\$ 88,909	19.14
Operating Expenses	165,138	149,959	178,522	28,563	141,085	169,710	28,625	8.10
Equipment	5,965	3,500	6,250	2,750	3,500	8,500	5,000	4.78
Non-Operating	554,050	762,500	2,422,208	1,659,708	762,500	2,461,097	1,698,597	337.18
TOTAL EXPENSES	\$1,133,196	\$1,313,260	\$3,093,136	\$1,779,876	\$1,304,290	\$3,125,421	\$1,821,131	172.96
FUNDING								
General Fund	\$ 480,363	\$ 468,260	\$ 420,742	\$ (47,518)	\$ 459,290	\$ 411,834	\$ (47,456)	-12.41
State Special Revenue	0	0	482,795	482,795	0	480,936	480,936	N/A
Federal Revenue	652,833	845,000	2,189,599	1,344,599	845,000	2,232,651	1,387,651	235.40
TOTAL FUNDING	\$1,133,196	\$1,313,260	\$3,093,136	\$1,779,876	\$1,304,290	\$3,125,421	\$1,821,131	172.96

Program Description: The Montana Board of Crime Control is governed by a supervisory board of 18 members, appointed by the Governor and representing law enforcement and criminal justice agencies. The major source of funding for this agency until fiscal 1984 was the now defunct Law Enforcement Assistance Administration.

The mission of the Board of Crime Control is to promote public safety by strengthening the coordination and performance of the criminal and juvenile justice system and by increasing citizen and public official support and involvement in criminal justice. In addition to administering several federal action grant programs related to criminal justice, the agency provides technical and supportive services in the areas of jail improvement, management and statistical analysis, crime prevention, crimestoppers, manpower development, information systems, and residential programs for youth in trouble, and establishes minimum law enforcement standards for personnel, equipment and procedures, as well as certification of law enforcement officers. The agency also administers a juvenile justice training program for law enforcement officials and the state crime victims' compensation program.

Legislative Intent: The Board of Crime Control administers three federal pass-through grant programs, and will add a fourth program with the addition of federal Drug Enforcement Act funds in the 1989 biennium. The grant funds have a three year federal appropriation authority, on a federal fiscal year basis. To provide continuing authority for the pass-through grants for the three year federal authority, language is included in House Bill 2 to make the grant funds a biennial appropriation, and to allow prior biennium federal grant authority to continue into the next biennium.

The Board of Crime Control is to charge tuition and fees for the juvenile justice training program. It also is to charge fees for technical assistance provided to local law enforcement agencies. The tuition and fees collected as well as charges for related expenditures are to be accounted for in a state special revenue account.

Budget: Personal services increase 19.1 percent, resulting from a combination of the pay plan increase in fiscal 1987, vacancy savings in fiscal 1986 in excess of the amount budgeted, the reduction of a 1.0 FTE statistical clerk position taken as part of the 5 percent cuts in Special Session III, and the addition of 4.0 FTE as part of the approved modified appropriations described below.

Operating expenses increase 8.1 percent due to the addition of \$31,330 in operating costs to administer the two new programs added by modified appropriations discussed below and the inclusion in fiscal 1988 of a biennial audit appropriation of \$9,522. These increases are partially offset by the exclusion of \$19,000 in budget amendments included in fiscal 1986 totals and a \$10,000 decrease in data entry costs due to conversion of the Montana Uniform Crime Reporting System data entry to the Criminal Justice Information Network, allowing many local law enforcement agencies to enter their own data directly.

Equipment budgeted is for the purchase of one computer at a cost of \$3,500 each year for the juvenile justice program and for the purchase of office equipment for the two new programs added as modifieds at a cost of \$2,750 in fiscal 1988 and \$5,000 in fiscal 1989.

Non-operating costs, which are all pass-through grant funds, increase 337 percent from fiscal 1986 to fiscal 1988 due primarily to non-inclusion of one of the federal grant programs in the fiscal 1986 totals and the addition of the new drug enforcement grant program and the crime victim's compensation program in fiscal 1988. The juvenile justice grant funds were agency funds in fiscal 1986, but were added to the appropriation process in the 1989 biennium at the recommendation of the Legislative Auditor. Table 1 provides a breakdown of non-operating costs.



Table 1  
Non-Operating Costs (Pass-through Grants)

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Pass-Through Grant Funds:		
Victims of Crime		
Criminal Justice Assistance Block Grants	\$ 224,000	\$ 224,000
Juvenile Justice	396,000	396,000
Drug Enforcement/Education	142,500	142,500
	<u>1,150,463</u>	<u>1,182,015</u>
Total Pass-Through Grants	\$1,912,963	\$1,944,515
Crime Victims' Compensation Funds	<u>509,245</u>	<u>516,582</u>
Total	<u>\$2,422,208</u>	<u>\$2,461,097</u>

All programs above are line-itemed, and the grant programs include language in the bill to provide continuing authority for the three year federal grant authority period.

**Funding:** In addition to federal funding for the pass-through grant programs, federal funding of \$82,500 per year is provided, of which \$54,375 is for the Juvenile Information Reporting System, \$11,250 is for operations of the Youth Justice Council, and \$16,875 is for administration of the Juvenile Justice Grant Program. Federal funds are also provided for crime victims' compensation benefits as shown in Table 3.

State special revenue funds are provided for the crime victims' compensation benefits and administration in the amounts shown in Table 3. An additional \$20,000 per year of state special revenue funds is provided by tuition and fees for Juvenile Justice Training Programs, and another \$25,000 per year will be provided by fees charged by the local assistance program for technical assistance provided to local law enforcement agencies.

Funding for all other Board of Crime Control activities is general fund, including a 50 percent match of \$16,875 for the juvenile justice grant administration, the Peace Officer Standards and Certification Program, the Montana Uniform Crime Reporting System, general agency administration, and administrative costs of two of the federal pass-through grant programs, which cannot utilize any federal grant funds for grant program administration.

#### Modifieds Approved:

1. Federal Drug Enforcement Block Grant Program - A modified appropriation was approved for federal pass-through grant program funds to be administered by the Board of Crime Control. The funds will be provided for drug enforcement grants by the federal Office of Justice Assistance, Drug Enforcement Assistance Program. The Drug Enforcement grants require a 25 percent match with new funds, which will be passed on to grant recipients. In



addition, there is a requirement that 55 percent of the funds be passed through to local governments. The appropriation authority approved by the legislature is as follows:

Table 2  
Purpose of Federal Drug Enforcement Block Grant Funds

Purpose	Fiscal 1988	Fiscal 1989
Drug Enforcement Grants	\$ 911,812	\$ 943,364
Drug Education/Prevention Grants	238,651	238,651
Grant Administration	65,136	69,636
Total	<u>\$1,215,599</u>	<u>\$1,251,651</u>

2. Crime Victims' Compensation Program Transfer - A modified appropriation was approved for the costs of administering the Crime Victims' Compensation Program due to passage of House Bill 309, which transfers administration of the Crime Victims' Compensation Act of Montana from the Workers' Compensation Division to the Board of Crime Control. The following appropriation was approved, to be funded by the state special revenue fund, plus spending authority for victims' fund grants received from the federal government, which can also be used for crime victims' compensation.

Table 3  
Crime Victims' Compensation Program Costs

	Fiscal 1988	Fiscal 1989
Personal Services	\$ 43,569	\$ 43,623
Operating Expenses	11,231	11,231
Equipment	2,750	500
Benefits and Claims	509,245	516,582
Total Expenses	<u>\$566,795</u>	<u>\$571,936</u>
State Special Revenue	\$437,795	\$435,936
Federal Special Revenue	129,000	136,000
Total Funding	<u>\$566,795</u>	<u>\$571,936</u>

Other Legislation:

1. House Bill 309 - Crime Victims' Compensation Program - The legislature approved transfer of the administration of the Crime Victims' Compensation Program from the Division of Workers' Compensation to the Board of Crime Control and included an appropriation in House Bill 2 as described above to administer the program.

Difference From Executive: The approved budget is significantly higher than the executive budget due to the approval of the modified appropriations listed above for the Drug Enforcement and Crime Victims' Compensation Programs. Personal services increased due to the addition of 4.0 FTE to administer the two new grant programs. Operating expenses increased \$31,300 per year for administration of the two new grant programs, but were reduced approximately \$2,700 per year to eliminate one-time expenditures. Equipment increases are entirely for the implementation of the two new grant programs. Non-operating costs increase by the amount of pass-through grant funds for the Drug Enforcement and Crime Victims' Compensation programs.

The general fund reduction from the executive recommendation was due primarily to the transfer of \$20,000 per year to the state special revenue fund to be provided by tuition and fees for juvenile justice training programs, and \$25,000 per year to the state special revenue fund to be provided by fees charged for technical assistance provided to local law enforcement agencies. The balance of the increase in state and federal special revenue is due to the additional grant programs approved by the legislature.

AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	831.80	737.67	747.67	10.00	737.67	759.67	22.00	-84.13
Personal Services	\$17,370,147	\$16,318,983	\$16,298,906	\$ (20,077)	\$16,324,690	\$16,534,140	\$ 209,450	-6.17
Operating Expenses	4,104,162	4,334,553	4,241,438	(93,115)	4,265,738	4,421,986	156,248	3.74
Equipment	512,338	263,067	151,932	(111,135)	382,697	227,073	(155,624)	-70.35
Non-Operating	1,871,374	160,000	180,000	20,000	175,000	195,000	20,000	-90.38
TOTAL EXPENSES	\$23,858,021	\$21,076,603	\$20,872,276	\$ (204,327)	\$21,148,125	\$21,378,199	\$ 230,074	-12.51
FUNDING								
General Fund	\$18,841,546	\$17,809,800	\$17,482,614	\$ (327,186)	\$17,894,043	\$17,511,147	\$ (382,896)	-7.21
State Special Revenue	2,864,362	1,131,190	1,177,951	46,761	1,122,193	1,171,994	49,801	-58.88
Federal and Other Revenue	1,363,391	1,446,515	1,444,152	(2,363)	1,470,786	1,955,688	484,902	5.92
Proprietary Fund	788,722	689,098	767,559	78,461	661,103	739,370	78,267	-2.68
TOTAL FUNDING	\$23,858,021	\$21,076,603	\$20,872,276	\$ (204,327)	\$21,148,125	\$21,378,199	\$ 230,074	-12.51

Program Description: The Department of Revenue is responsible for the collection and enforcement of approximately 31 state taxes and fees. It is also responsible for regulating the sale and distribution of alcoholic beverages in Montana. The Department is organized into the Director's Office and eight operating divisions. The Liquor Division is not reflected in the agency main table.

Legislative Intent: The department shall attempt to return at least 10 percent of net sales from the liquor program to the general fund.

Budget: The 12.5 percent decrease in total expenses between fiscal 1986 and fiscal 1988 is largely due to the 84.13 FTE decrease from fiscal 1986 to the 1989 biennium. This FTE decrease results from scheduled FTE reductions between the 1987 and 1989 bienniums, staff reductions to accommodate the 5 percent and fiscal 1987 pay plan funding shortfall, adjustments made by the legislature, and other reductions. The scheduled FTE reductions between the 1987 and 1989 bienniums were 24.0 temporary FTE added in fiscal 1986 to help complete the property reappraisal cycle, 8.0 FTE



added in the Child Support Bureau and Data Processing Division but required by the 1985 Legislature to be removed from the agency's 1989 biennium current level budget, and 0.33 FTE auditors in the Natural Resources and Corporation Tax Division. Pay plan and 5 percent reductions as well as transfers resulted in the agency deleting 63.60 FTE. Legislative reductions totaling 22.0 FTE occurred in the Property Assessment Division, including the reduction in the percentage of deputy assessor salaries paid by the state from 100 to 70 percent, for a 15.0 FTE reduction. Other reductions include 7.0 video poker FTE, 3.0 FTE deleted from fiscal 1986, and 4.0 FTE transferred to the Department of Commerce. A 0.70 FTE decrease occurred due to changes in elected assessor positions, and 41.5 FTE were added in fiscal 1988, increasing to 53.5 in fiscal 1989, to implement the provisions of new bills and modifieds passed by the Fiftieth Legislature.

Operating expenses increase 3.3 percent from fiscal 1986 to fiscal 1988 and 4.3 percent from fiscal 1988 to fiscal 1989. Several factors contributed to the operating expense change. Additional computer processing charges totaling approximately \$500,000 in fiscal 1988 and \$595,000 in fiscal 1989 were approved in the Centralized Services Division, Data Processing Division, Child Support Bureau, Income and Miscellaneous Tax Division, and Property Assessment Division. Additional appropriations of \$56,600 in fiscal 1988 and \$272,200 in fiscal 1989 were approved for the Investigations Program and the Property Assessment Division to implement the provisions of bills passed by the legislature. Also approved were additional funds totaling \$130,600 in fiscal 1988 and \$144,500 in fiscal 1989 for additional services in the Child Support Enforcement Bureau, the Natural Resources and Corporation Tax Division, the Property Assessment Division, and the Income Tax Division. Miscellaneous cost increases totaling approximately \$16,300 in fiscal 1988 and \$23,300 in fiscal 1989 were added.

These operating increases were offset by decreases relating to program consolidation, miscellaneous cost decreases, reduced county computer support, and removal of one-time costs. The department consolidated the Miscellaneous Tax Division with the Income Tax Division in fiscal 1987, reorganized the Property Assessment Division, and eliminated the Medicaid Fraud Bureau. This restructuring resulted in an overall cost savings of approximately \$213,000 annually. Miscellaneous cost reductions saved approximately \$93,600 in fiscal 1988 and \$93,500 in fiscal 1989. The county computer support reduction of \$133,500 in fiscal 1988 and \$164,000 in fiscal 1989 in the Property Assessment Division is a continuation of part of the agency's 5 percent cut from fiscal 1987 and savings expected in the approved budget modification.

In fiscal 1986, the department spent \$310,000 in various operating divisions for expenditures relating to the Property Assessment Division. These costs were primarily computer processing and printing charges. A portion of these costs, \$145,000 in fiscal 1988 and \$137,000 in fiscal 1989, were transferred to the Property Assessment Division for the 1989 biennium. The remaining costs of \$165,000 in fiscal 1988 and \$173,000 in fiscal 1989 were removed from ongoing expenditures.

Audit costs totaling \$123,730 are included in fiscal 1988 in the Director's Office. The agency spent \$61,816 on audit costs in fiscal 1986.

Equipment authorized for purchase in the 1989 biennium is budgeted to decrease 70.3 percent from fiscal 1986 actual purchases. The Property Assessment Division--Appraisers and Non-Elected Assessors Program is authorized the largest amount at \$71,600 in fiscal 1988 and \$204,376 in fiscal 1989.

Non-operating expenditures in the 1989 biennium include federal child support enforcement funds and welfare fraud funds which are passed through to local governments as reimbursement for enforcement activities at the local level. Non-operating expenses in fiscal 1986 included the transfer of \$1,750,680 of resource indemnity trust interest funds from the department to other state agencies. Boilerplate language for these types of transfers was approved for the 1989 biennium rather than establishing a specific dollar amount.

**Funding:** General fund supports all or a portion of every program in the Department of Revenue except for the Motor Fuels Division. General fund is budgeted to decrease 7.2 percent from fiscal 1986 to fiscal 1988 due primarily to expenditure decreases in the Property Assessment Division.

State special revenue includes highway special revenue, video poker license fees allocated for the investigation function, unclaimed property proceeds, cigarette enforcement funds, nongame wildlife checkoff funds, oil and gas special revenue, and the state lands resource development account. These funds are shown to decrease 59 percent from fiscal 1986 to fiscal 1988 because the fiscal 1986 actual revenue, transferred from the department to other state trust interest funds, which are classified as state special revenue, rather than establishing a specific dollar amount. This transfer is authorized in boilerplate language in the 1989 biennium rather than establishing a specific dollar amount. Without the transfer in fiscal 1986, the state special revenue funds are budgeted to increase only 5.2 percent from fiscal 1986 to fiscal 1988. State special revenues are used in the Director's Office, the Centralized Services Division, the Investigations and Enforcement Division, the Income and Miscellaneous Tax Division, the Natural Resources and Corporation Tax Division, and the Motor Fuels Division.

Federal funds include child support enforcement funds, Medicaid and welfare fraud investigation funds, and federal royalty audit funds. These funds are used in the Centralized Services Division, the Investigations and Enforcement Division, and the Natural Resources and Corporation Tax Division. The only non-federal funds in the federal and other funds category is \$500,789 in fiscal 1989 from the education trust fund, to be used to in the Property Assessment Division to implement the appraisal system required by House Bill 436.

Proprietary funds are Liquor Division funds and are used to support a portion of the Director's Office and Legal Bureau, the Data Processing Division, and the Investigations and Enforcement Division.



AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: DIRECTOR'S OFFICE - ADMINISTRATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	9.00	8.50	8.50	0.00	8.50	8.50	0.00	-0.50
Personal Services	\$268,894	\$284,712	\$284,804	\$ 92	\$284,596	\$284,689	\$ 93	5.92
Operating Expenses	175,887	239,249	235,735	(3,514)	124,027	112,324	(11,703)	34.03
Equipment	314	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$445,095	\$523,961	\$520,539	\$ (3,422)	\$408,623	\$397,013	\$ (11,610)	16.95
FUNDING								
General Fund	\$306,013	\$379,062	\$393,101	\$ 14,039	\$311,079	\$316,648	\$ 5,569	28.46
State Special Revenue	111,496	116,099	96,506	(19,593)	97,544	80,365	(17,179)	-13.44
Proprietary Fund	27,586	28,800	30,932	2,132	0	0	0	12.13
TOTAL FUNDING	\$445,095	\$523,961	\$520,539	\$ (3,422)	\$408,623	\$397,013	\$ (11,610)	16.95

**Program Description:** The Director's Office provides management control, coordination of policy direction, strategic planning, and personnel services that assist the tax programs in carrying out their respective collection and enforcement responsibilities.

**Budget:** The budget deletes \$9,745 from fiscal 1986 actual expenditures relating to a one-time contract with a person who is now an employee of the department. Four percent vacancy savings was applied to all positions. Fiscal 1988 operating expenditures include \$123,730 for biennial legislative audit costs while \$61,816 was spent on audit costs in fiscal 1986. Operating costs were also increased \$11,728 annually for increased insurance costs. Miscellaneous operating costs were reduced \$2,546 annually. No equipment was authorized for the 1989 biennium.

**Funding:** This program is funded from the state general fund, the highway state special revenue account, and liquor division proprietary funds. Highway special revenue funds approximately 12 percent of the current level budget for the director's office and the legal office, plus \$14,848 in fiscal 1988 for the legislative audit costs. The liquor division funding, \$30,932 in fiscal 1988, is for legislative audit costs. The remaining \$77,950 legislative audit costs are funded from the general fund.



Difference From Executive: The only significant adjustments to the executive recommendation were \$8,530 in fiscal 1988 in increased audit fees, reductions of \$9,745 per year in contract services, and elimination of approximately \$2,100 per year in travel for one-time expenses in fiscal 1988.

AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: DIRECTOR'S OFFICE - LEGAL BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	7.50	6.50	6.50	0.00		6.50	6.50	0.00		-1.00
Personal Services	\$227,877	\$235,373	\$235,534	\$ 161		\$236,379	\$235,390	\$ (989)		3.30
Operating Expenses	31,679	30,781	31,395	614		30,789	31,559	770		-0.90
Equipment	514	440	675	235		465	700	235		31.30
TOTAL EXPENSES	\$260,070	\$266,594	\$267,604	\$ 1,010		\$267,633	\$267,649	\$ 16		2.90
FUNDING										
General Fund	\$215,745	\$221,166	\$219,734	\$ (1,432)		\$222,028	\$219,049	\$ (2,979)		1.80
Proprietary Fund	44,325	45,428	47,870	2,442		45,605	48,600	2,995		8.00
TOTAL FUNDING	\$260,070	\$266,594	\$267,604	\$ 1,010		\$267,633	\$267,649	\$ 16		2.90

Program Description: The Legal Bureau provides legal representation and other legal services to the Director and the eight divisions of the Department of Revenue, especially the tax administering divisions. The office handles a large number of tax appeals before the State Tax Appeal Board as well as state courts. The major activities of the office consist of litigation preparation, legal research, and writing for legal opinions and briefs.

Budget: The budget provides a 2.9 percent increase from fiscal 1986 to fiscal 1988. One legal assistant II position was deleted from this program as part of the fiscal 1987 pay plan cuts. Personal services increases in spite of the 1.0 FTE reduction as the program experienced over 11 percent vacancy savings in fiscal 1986, and 4 percent vacancy savings was applied in the 1989 biennium.

Operating expenses were continued at slightly below the fiscal 1986 level.

Funding: The Legal Bureau is funded from general fund and an allocation from the liquor division funds.

Difference From Executive: The approved budget contained only minor adjustments to the executive recommendation, including a lower rent allowance due to inflation factors and a reduced allowance for new file cabinets.

AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: CENTRALIZED SERVICES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	37.27	35.27	35.27	0.00		35.27	35.27	0.00		-2.00
Personal Services	\$ 733,691	\$746,565	\$746,910	\$ 345		\$746,787	\$747,187	\$ 400		1.80
Operating Expenses	124,302	143,834	136,145	(7,689)		145,852	142,076	(3,776)		9.53
Equipment	6,783	3,900	4,091	191		4,450	4,103	(347)		-39.69
Non-Operating	1,750,680	0	0	0		0	0	0		-100.00
TOTAL EXPENSES	\$2,615,456	\$894,299	\$887,146	\$(7,153)		\$897,089	\$893,366	\$(3,723)		-66.08
FUNDING										
General Fund	\$ 858,176	\$887,413	\$880,546	\$(6,867)		\$890,181	\$886,766	\$(3,415)		2.61
State Special Revenue	1,750,680	0	0	0		0	0	0		-100.00
Federal Revenue	6,600	6,886	6,600	(286)		6,908	6,600	(308)		0.00
TOTAL FUNDING	\$2,615,456	\$894,299	\$887,146	\$(7,153)		\$897,089	\$893,366	\$(3,723)		-66.08

Program Description: The Centralized Services Division provides support services to all department divisions. In addition, the Division provides bad debt collection and write-off services for all state agencies and administers the beer and wine tax statutes regarding department tax collections.

Legislative Intent: Boilerplate language was approved which allows the Department of Revenue to transfer resource indemnity trust interest funds to state agencies that receive R/T grants.

Budget: The budget deletes 2.0 FTE, an accounting/fiscal manager and an accounting technician, from fiscal 1986 to the 1989 biennium as the agency's reduction for the pay plan cuts in fiscal 1987 are continued. Personal services increases 1.8 percent even with the 2.0 FTE reduction as the division experienced 10 percent vacancy savings in fiscal 1986, and 4 percent vacancy savings was applied in the 1989 biennium.

Operating expenses were increased \$43,758 in fiscal 1988 and \$49,195 in fiscal 1989 for additional computer processing charges relating to the department's revenue control system developed in the 1987 biennium. The development of this system was not specifically authorized by the 1985 legislature. Contracted professional and



printing costs totaling \$27,000 incurred on behalf of the Property Assessment Division were removed from base operating costs. Miscellaneous costs totaling approximately \$4,800 annually were removed.

Authorized equipment includes one typewriter, one microfiche reader, and one personal computer for liquor store auditors each year of the biennium.

Funding: The Centralized Services Division is funded from the general fund and an allocation from federal child support funds. The current level budget included resource indemnity trust interest funds which the agency transfers to other state agencies that receive appropriation authority for RIT grant projects. Boilerplate language was authorized to give the division authority to transfer these funds rather than set a specific dollar amount.

Difference From Executive: The only significant adjustment to the executive budget was in operating expenses, attributable primarily to a reduction in the rent allowance to the correct amount. Equipment differences included the addition of a new microfiche reader each year of the biennium, adding a personal computer for the liquor store auditors in fiscal 1988, but disapproval of a check endorsing machine in fiscal 1989 recommended by the executive.

AGENCY: DEPARTMENT OF REVENUE	LEGISLATIVE ACTION						PROGRAM: DATA PROCESSING DIVISION		
	BUDGET ITEM	FY 1986 Actual	Executive	Fiscal 1988 Legislature	Difference	Executive	Fiscal 1989 Legislature	Difference	FY 86-88 % Change
FTE		60.50	54.50	52.50	-2.00	54.50	52.50	-2.00	-8.00
Personal Services		\$1,205,760	\$1,274,680	\$1,228,458	\$(46,222)	\$1,273,448	\$1,227,338	\$(46,110)	1.88
Operating Expenses		326,814	198,971	196,228	(2,743)	206,741	202,186	(4,555)	-39.96
Equipment		38,714	10,475	0	(10,475)	7,950	0	(7,950)	-100.00
TOTAL EXPENSES		\$1,571,288	\$1,484,126	\$1,424,686	\$(59,440)	\$1,488,139	\$1,429,524	\$(58,615)	-9.33
FUNDING									
General Fund		\$1,151,103	\$1,094,145	\$1,005,278	\$(88,867)	\$1,097,076	\$1,007,144	\$(89,932)	-12.67
Proprietary Fund		420,185	389,981	419,408	29,427	391,063	422,380	31,317	-0.18
TOTAL FUNDING		\$1,571,288	\$1,484,126	\$1,424,686	\$(59,440)	\$1,488,139	\$1,429,524	\$(58,615)	-9.33

Program Description: The Data Processing Division provides automated data and word processing services, detailed systems requirements analysis, systems development and maintenance services, data entry services, computer operation support services, technical support for departmental and personal computers, and research services relating to tax policy, revenue estimating, and Montana tax laws.

Budget: The budget provides a 9 percent decrease from fiscal 1986 to fiscal 1988 primarily because operating expenses associated with a program transfer in fiscal 1986 were not continued into the 1989 biennium. Office automation charges from the Department of Administration were provided at \$9,600 in fiscal 1988 and \$10,560 in fiscal 1989. In fiscal 1989, \$6,000 was added for printing the Department's biennial report to the legislature.

The 1985 legislature authorized 50.0 FTE for fiscal 1986 and 51.5 FTE for fiscal 1987 for this division. In fiscal 1986 and fiscal 1987, the agency transferred 10.0 FTE into this division to centralize the data processing function in the agency. Before pay plan cuts, the division had 61.5 FTE in fiscal 1987. In response to fiscal 1987 pay plan cuts, the agency deleted 4.0 FTE. For the 1989 biennium, the agency requested 6.0 FTE of the 10.0 FTE transferred into the division in fiscal 1986 be retained. The remaining 4.0 FTE from the 10.0 FTE transfer were "sunset" FTE which were required to be eliminated from the department's 1989 biennium budget request. Finally, 1.0 FTE program-mer/analyst was deleted as the position had been vacant over 50 percent of fiscal 1986 and in fiscal 1987.

Personal services increases between fiscal 1986 and the 1989 biennium because the fiscal impact of the FTE transfers added approximately \$87,000 annually to the personal services costs of the division.

Operating expenses decrease 40 percent as computer processing charges and consulting and professional services, totaling \$135,000 and incurred on behalf of the Property Assessment Division in fiscal 1986, were removed from ongoing expenditures in the 1989 biennium.

No equipment was authorized for purchase in the 1989 biennium.

Funding: The Data Processing Division is funded from general fund and an allocation from Liquor Division funds.

Difference From Executive: The budget is 4 percent below the executive recommendation, due to the elimination of 2.0 FTE and a reduction in computer processing allowances. Personal services reductions are due to the elimination of a 1.0 FTE programmer analyst position that had been vacant most of fiscal 1986 and 1.0 FTE for system maintenance which "sunset" at the end of the 1987 biennium, but was included in the executive recommendation as a modified. Operating expense reductions are primarily due to a reduction in computer processing charges and an adjustment to rent due to the inflation factor used. The budget does not include the computer equipment recommended in the executive budget.



AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: INVESTIGATIONS AND ENFORCEMENT DIVISION --  
ADMINISTRATION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	3.00	3.00	3.00	0.00	3.00	3.00	0.00	0.00
Personal Services	\$120,436	\$115,594	\$115,658	\$ 64	\$115,677	\$115,752	\$ 75	-3.97
Operating Expenses	9,121	8,180	9,088	908	8,180	9,173	993	-0.36
Equipment	257	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$129,814	\$123,774	\$124,746	\$ 972	\$123,857	\$124,925	\$ 1,068	-3.90
FUNDING								
General Fund	\$ 79,299	\$ 45,745	\$ 50,397	\$ 4,652	\$ 45,763	\$ 50,470	\$ 4,707	-36.45
State Special Revenue	0	0	0	0	0	0	0	N/A
Federal Revenue	50,431	63,176	55,637	(7,539)	63,231	55,716	(7,515)	10.32
Proprietary Fund	84	14,853	18,712	3,859	14,863	18,739	3,876	N/A
TOTAL FUNDING	\$129,814	\$123,774	\$124,746	\$ 972	\$123,857	\$124,925	\$ 1,068	-3.90

Program Description: The Investigations and Enforcement Division administers the Video Poker Control Program, Investigations Program, Child Support Enforcement Program, and the Medicaid Fraud Program. The Administration Program contains the division administrator, the investigation and enforcement bureau chief, and an administrative secretary.

Budget: The budget maintains fiscal 1986 expenditures with the exception that 4 percent vacancy savings was applied to all positions in the program while no vacancy savings was actually experienced in fiscal 1986. No equipment was authorized for the 1989 biennium.

Funding: Federal funds include child support enforcement and welfare and medicaid fraud. Child support funds require a 34 percent match from the general fund. Welfare and medicaid fraud funds require a 50 percent general fund match. Approximately \$31,700 general fund per year is used to match the federal funds. In addition, approximately \$18,700 general fund is used each year to cover the time spent by the Administration Program's staff on video poker investigation. Liquor division proprietary funds represent 15 percent of the Administration Program's staff time on liquor investigation.

Difference From Executive: The budget includes only minor adjustments to the executive recommendation for expenditures, including a rent base adjustment. Funding was adjusted to minimize general fund at the amount required for federal match funds and for video poker investigation. State special and proprietary fund sources were adjusted in proportion to the estimated amount of time required to administer the activities they support.

AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: INVESTIGATIONS AND ENFORCEMENT DIVISION -  
INVESTIGATIONS PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	13.50	16.50	19.00	2.50	16.50	19.00	2.50	5.50
Personal Services	\$336,589	\$402,245	\$468,410	\$ 66,165	\$401,888	\$480,531	\$ 78,643	39.16
Operating Expenses	90,250	82,731	114,149	31,418	81,694	130,522	48,828	26.48
Equipment	21,167	8,652	40,000	31,348	9,000	12,089	3,089	88.97
Non-Operating	0	0	20,000	20,000	0	20,000	20,000	N/A
TOTAL EXPENSES	\$448,006	\$493,628	\$642,559	\$148,931	\$492,582	\$643,142	\$150,560	43.43
FUNDING								
General Fund	\$ 52,648	\$ 49,430	\$ 31,509	\$ (17,921)	\$ 41,237	\$ 25,460	\$ (15,777)	-40.15
State Special Revenue	28,719	108,277	230,728	122,451	115,840	238,348	122,508	703.40
Federal Revenue	70,288	125,885	129,685	3,800	125,933	129,683	3,750	84.51
Proprietary Fund	296,351	210,036	250,637	40,601	209,572	249,651	40,079	-15.43
TOTAL FUNDING	\$448,006	\$493,628	\$642,559	\$148,931	\$492,582	\$643,142	\$150,560	43.43

Program Description: The Investigations and Enforcement Division's Investigations Program performs the criminal and regulatory investigative functions required by state and federal statute. Specific areas of responsibility are alcohol beverage control, welfare fraud investigation, cigarette tax enforcement, criminal income tax, and intradepartmental investigation as well as special investigation when required.

Legislative Intent: It is the intent of the legislature that the Department of Revenue will continue the investigation functions for the video poker program that was transferred to the Department of Commerce. The state special revenue amount in this program is \$74,795 in fiscal 1988 and \$120,455 in fiscal 1989 to fund the video poker investigation function. This investigation function was expanded to include the enforcement and investigation required in House Bill 66.

Budget: The budget provides a 43.4 percent increase from fiscal 1986 to fiscal 1988 due to the additional costs associated with the investigation functions required in House Bills 66 and 863 and the medicaid fraud function being transferred into this program in the 1989 biennium.



In fiscal 1986, the Medicaid Fraud Program was separate from the Investigations Program and was eliminated in the 5 percent cuts in fiscal 1987. One FTE was transferred into this program in the 1989 biennium to provide medicaid fraud investigation on a limited basis. One FTE was added in fiscal 1989 to implement additional investigation provisions required by House Bill 66, and 4.5 FTE were added to implement the revised video poker machine control laws established in House Bill 863, reduced to 3.5 FTE in fiscal 1989. A 4 percent vacancy savings was applied to this program.

Operating expenses are reduced \$2,329 for one-time remodeling costs and \$6,850 for repair and maintenance on an agency vehicle. Increases totaling \$3,238 were included for increased rent and computer maintenance costs. Operating expenses increase \$10,260 in fiscal 1989 due to the costs associated with the requirements of House Bill 66, and increase \$29,910 in fiscal 1988 and \$35,232 in fiscal 1989 to implement House Bill 863.

Each year of the biennium includes \$10,000 to purchase a new vehicle for current level operations and an additional \$30,000 in fiscal 1988 and \$2,089 in fiscal 1989 for vehicles and office equipment related to the additional enforcement requirements of House Bill 863.

Non-operating expenses include \$20,000 annually as reimbursement to local government for welfare fraud expenses.

Funding: Funding for the Investigations Program comes from general fund, federal welfare and medicaid fraud funds, liquor proprietary funds, and the video poker state special revenue fund.

The general fund is used to provide required match funds for federal investigation programs. Video poker state special revenue funds are used for investigation of compliance with laws regarding video poker machines.

Federal welfare fraud funds are included in the budget at the agency's request of \$105,885 in fiscal 1988 and \$105,933 in fiscal 1989. Of this amount, \$20,000 each year is passed through to local governments for reimbursement for expenses incurred in prosecuting welfare fraud cases. Welfare fraud funds used to administer the program total \$85,885 in fiscal 1988 and \$85,933 in fiscal 1989. The remaining federal funds, \$23,800 in fiscal 1988 and \$23,750 in fiscal 1989, are medicaid fraud funds used to support the 1.0 FTE transferred into this program from the now defunct medicaid fraud program. Federal funds show a 84.5 percent increase from fiscal 1986 to fiscal 1988 primarily due to the welfare grants and medicaid fraud function being included in this program.

Proprietary funds are liquor division funds. It is the intent of the legislature that liquor proprietary funds be used in addition to general fund to match federal funds as necessary.

#### Other Legislation:

1. House Bill 66 - Video Poker Machine Enforcement - The legislature adopted a bill requiring licenses for manufacturers and distributors of video draw poker machines, setting forth the requirements for licensure, and providing for enforcement of the licensing requirements. House Bill 2 appropriates \$13,260 in fiscal 1988 and \$51,300 in fiscal 1989, including 1.0 FTE, to the department to perform the investigation functions required by the bill.

2. House Bill 863 - Video Poker Machine Control - The legislature approved an act revising video poker machine control laws by requiring the licensing and testing of electronic keno machines, and reducing the licensing fees on video poker machines while creating a tax on net machine income of 15 percent for both keno and poker machines. House Bill 2 appropriates \$155,933 in fiscal 1988 and \$117,893 in fiscal 1989 to the Investigations Division for the costs of providing investigatory and compliance services to the Video Poker Control Program. The bill also provides a statutory appropriation to the Department of Revenue to distribute the two-thirds local government portion of the tax collected to the local governments.

Difference From Executive: The budget for the 1989 biennium is 30 percent above the executive recommendation due primarily to additional appropriations for House Bills 66 and 863.

Personal services exceed the executive recommendation due to the addition of 4.5 FTE in each year of the biennium to enforce the provisions of House Bills 66 and 863. These increases are partially offset by the disapproval of 2.0 FTE requested by the executive as a modifier for lottery investigation and enforcement. That function was assigned to the Department of Commerce.

Operating expenses increase \$29,910 in fiscal 1988 and \$45,500 in fiscal 1989 for the investigation and enforcement functions added by House Bills 66 and 863. Other adjustments to the executive recommendation include increases of \$6,700 in fiscal 1988 and \$8,500 in fiscal 1989 to return the allowance for supplies and materials to fiscal 1986 levels, \$800 per year for a base rent adjustment, a reduction of \$2,000 per year for expert witness fees, and a reduction of \$4,000 per year for vehicle maintenance.

Equipment allowances for a vehicle purchase are adjusted upward \$1,348 in fiscal 1988 and \$1,000 in fiscal 1989, and \$30,000 is added in fiscal 1988 and \$2,089 in fiscal 1989 for vehicles and office equipment to carry out the provisions of House Bills 66 and 863.



AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: INVESTIGATIONS AND ENFORCEMENT DIVISION -  
CHILD SUPPORT BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	54.00	50.00	50.00	0.00	50.00	50.00	0.00	-4.00
Personal Services	\$ 987,865	\$1,086,667	\$1,086,910	\$ 243	\$1,086,024	\$1,086,307	\$ 283	10.03
Operating Expenses	289,913	372,067	374,317	2,250	386,166	376,984	(9,182)	29.11
Equipment	50,534	8,600	8,625	25	9,000	0	(9,000)	-82.93
Non-Operating	120,694	160,000	160,000	0	175,000	175,000	0	32.57
TOTAL EXPENSES	\$1,449,006	\$1,627,334	\$1,629,852	\$2,518	\$1,656,190	\$1,638,291	\$(17,899)	12.48
FUNDING								
General Fund	\$ 429,348	\$ 498,894	\$ 499,750	\$ 856	\$ 503,604	\$ 497,519	\$ (6,085)	16.40
Federal Revenue	1,019,657	1,128,440	1,130,102	1,662	1,152,586	1,140,772	(11,814)	10.83
Other Revenue	1	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$1,449,006	\$1,627,334	\$1,629,852	\$2,518	\$1,656,190	\$1,638,291	\$(17,899)	12.48

Program Description: The Child Support Enforcement program was created for the purpose of establishing, enforcing, and collecting support obligations owed by absent parents to their children and the spouses with whom such children are living. The Child Support Enforcement program generates revenue from three sources: (1) recovered AFDC funds originally paid out by the State of Montana, (2) federal incentives paid to states for operating a cost effective program; and (3) fees generated in non-AFDC cases.

Budget: The budget eliminates 4.0 of the 13.0 "sunset" FTE while the remaining 9.0 "sunset" FTE were reauthorized for the 1989 biennium as a modified. Personal services increases while FTE decreases because the vacancy rate on the "sunset" FTE in fiscal 1986 was over 50 percent and the 9.0 additional FTE authorized for the 1989 biennium are assessed a four percent vacancy savings rate.

Base operating costs were increased \$63,400 for anticipated additional computer charges relating to the new computer system developed in the 1987 biennium. Operating costs were also increased \$20,490 in fiscal 1988 and \$26,196 in fiscal 1989 for increased hearing officers' costs, increased lab test fees for paternity testing, increased charges for IRS intercepts, and rent.



In fiscal 1988, \$8,625 was provided for purchase of a replacement vehicle. No equipment was authorized in fiscal 1989.

Non-operating costs include pass-through funds to local governments to reimburse them for child support enforcement activities at the local level.

Modifieds Approved:

1. Additional 9.0 FTE - A modified adding 9.0 FTE for the child support enforcement program was approved. These FTE were "sunseted" by the 1985 Legislature. The total modified cost is \$232,329 in fiscal 1988 and \$231,398 in fiscal 1989. This includes \$78,992 general fund in fiscal 1988 and \$78,675 general fund in fiscal 1989 which is 34 percent of the modified cost.

Funding: The Child Support Enforcement Program is funded from federal child support enforcement funds and general fund. A 34 percent general fund match is required to receive the federal funds.

Difference From Executive: The budget is slightly higher than the executive recommendation in fiscal 1988, but 1 percent lower in fiscal 1989. Operating expense adjustments include disapproval of a recommended \$9,700 increase in computer processing charges in fiscal 1989, increases in computer communication charges of \$5,400 in fiscal 1988 and \$4,800 in fiscal 1989 as assessed by the Department of Administration, reduction in computer tape and disk storage fees of \$1,750 in fiscal 1988 and \$3,800 in fiscal 1989, and other minor adjustments resulting in a net reduction of \$1,400 in fiscal 1988 and \$500 in fiscal 1989. Equipment recommended by the executive but not approved was the purchase of a new vehicle in fiscal 1989.

AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: INVESTIGATIONS AND ENFORCEMENT DIVISION -  
MEDICAID FRAUD

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	4.00	0.00	0.00	0.00	0.00	0.00	0.00	-4.00
Personal Services	\$113,232	\$0	\$0	\$0	\$0	\$0	\$0	-100.00
Operating Expenses	23,190	0	0	0	0	0	0	-100.00
Equipment	895	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$137,317	\$0	\$0	\$0	\$0	\$0	\$0	-100.00
FUNDING								
General Fund	\$33,559	\$0	\$0	\$0	\$0	\$0	\$0	-100.00
Federal Revenue	103,568	0	0	0	0	0	0	-100.00
Other Revenue	190	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$137,317	\$0	\$0	\$0	\$0	\$0	\$0	-100.00

Budget: This program was eliminated by the agency in fiscal 1987 and a portion of its function was combined with the Investigations Program.

AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: INCOME AND MISCELLANEOUS TAX DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	108.30	108.15	103.65	-4.50	108.15	103.65	-4.50	-4.65
Personal Services	\$2,142,754	\$2,267,998	\$2,180,332	\$ (87,666)	\$2,266,947	\$2,179,505	\$ (87,442)	1.75
Operating Expenses	869,215	1,008,082	973,655	(34,427)	1,092,845	1,059,758	(33,087)	12.02
Equipment	107,649	8,260	8,260	0	5,000	5,000	0	-92.33
TOTAL EXPENSES	\$3,119,618	\$3,284,340	\$3,162,247	\$ (122,093)	\$3,364,792	\$3,244,263	\$ (120,529)	1.37
FUNDING								
General Fund	\$3,042,230	\$3,142,797	\$3,079,363	\$ (63,434)	\$3,218,998	\$3,156,379	\$ (62,619)	1.22
State Special Revenue	77,388	141,543	82,884	(58,659)	145,794	87,884	(57,910)	7.10
TOTAL FUNDING	\$3,119,618	\$3,284,340	\$3,162,247	\$ (122,093)	\$3,364,792	\$3,244,263	\$ (120,529)	1.37

**Program Description:** The Income and Miscellaneous Tax Division administers and enforces the Montana personal income and withholding taxes, which includes partnership returns, fiduciary and trust returns, estimated income tax, filing extensions, and elderly homeowner/renter credit. These taxes constitute the largest payments to the general fund. The distribution of the taxes is 57.2 percent to the general fund, 31.8 percent to public school equalization, and 11 percent to the long-range building program. The division is also responsible for the administration of 17 miscellaneous taxes and licenses.

**Budget:** The budget provides a 1.4 percent increase from fiscal 1986 to fiscal 1988. The FTE are reduced 4.65 from fiscal 1986 to the 1989 biennium as the agency's response to the fiscal 1987 pay plan cuts was continued into the 1989 biennium.

Operating expenses increase 12 percent from fiscal 1986 to fiscal 1988 and 9 percent from fiscal 1988 to fiscal 1989 due to increased computer processing charges, \$204,000 in fiscal 1988 and \$288,000 in fiscal 1989, for the department's new computer systems to be implemented in fiscal years 1988 and 1989. In addition, the budget modification added approximately \$21,000 annually to operating costs.



Computer processing charges totaling \$85,000 which the division had incurred on behalf of the Property Assessment Division in fiscal 1986 were deleted. Consolidation of the Income Tax and Miscellaneous Tax Division also resulted in an approximate \$34,000 annual savings.

Modifieds Approved:

1. Income Tax Assessments/Collection Staff - A modified adding 13.0 FTE assessment/collections staff which were part of the "sunset" FTE approved by the 1985 Legislature was approved for the 1989 biennium. The FTE will continue audit and collection efforts initiated in the 1987 biennium. The general fund cost of the modified is \$262,795 in fiscal 1988 and \$262,421 in fiscal 1989.

Funding: The Income and Miscellaneous Tax Division is funded from general fund and state special revenue funds. State special revenue funds include unclaimed property, \$60,000 in fiscal 1988 and \$65,000 in fiscal 1989; cigarette enforcement funds, \$15,000 annually; and non-game wildlife checkoff funds; \$7,884 annually.

Difference From Executive: The budget is nearly 4 percent below the executive recommendation due primarily to disapproval of modification requests for 4.5 FTE. Personal services decrease due to a reduction of 2.5 FTE below the recommended 15.5 FTE for income tax audit and collections, and disapproval of a modified request for 2.0 FTE for administration of an accommodations tax. Operating expenses were adjusted downward to eliminate: 1) \$16,400 in fiscal 1988 and \$15,700 in fiscal 1989 recommended for the accommodations tax modified; 2) \$14,200 in fiscal 1988 and \$13,600 in fiscal 1989 for requested increases in computer maintenance costs; and 3) \$3,800 per year in reduced costs for audit training and legal services.

AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: NATURAL RESOURCES AND CORPORATE TAX DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	35.83	35.00	35.00	0.00	35.00	35.00	0.00	-0.83
Personal Services	\$ 890,136	\$ 967,814	\$ 957,519	\$ (10,295)	\$ 976,903	\$ 958,073	\$ (18,830)	7.57
Operating Expenses	379,924	342,614	328,565	(14,049)	341,968	328,722	(13,246)	-13.52
Equipment	9,994	2,500	0	(2,500)	0	0	0	-100.00
TOTAL EXPENSES	\$1,280,054	\$1,312,928	\$1,286,084	\$ (26,844)	\$1,318,871	\$1,286,795	\$ (32,076)	0.47
FUNDING								
General Fund	\$1,110,273	\$1,136,026	\$1,106,908	\$ (29,118)	\$1,141,701	\$1,107,619	\$ (34,082)	-0.30
State Special Revenue	56,934	54,774	57,048	2,274	55,042	57,048	2,006	0.20
Federal Revenue	112,847	122,128	122,128	0	122,128	122,128	0	8.22
TOTAL FUNDING	\$1,280,054	\$1,312,928	\$1,286,084	\$ (26,844)	\$1,318,871	\$1,286,795	\$ (32,076)	0.47

**Program Description:** The Natural Resources and Corporation Tax Division administers 17 different taxes, including corporate license tax, oil and gas severance tax, coal severance tax, metal mines tax, gross and net proceeds tax, electrical energy license tax, and the resources indemnity trust tax. The Division also administers the state and federal royalty audit programs related to mineral production on state and federal lands in Montana.

**Budget:** The budget reflects a 0.83 FTE reduction from fiscal 1986 to the 1989 biennium. This includes 0.5 fewer FTE as a result of the fiscal 1987 pay plan cut and 0.33 fewer FTE because the 1985 legislature authorized 0.33 fewer FTE royalty auditors in fiscal 1987 than in fiscal 1986. Two FTE, sunset by the 1985 legislature, were reauthorized for the 1989 biennium. Approximately \$51,000 annually was authorized for personal services related to this budget modification.

Operating expenses decrease 13.5 percent from fiscal 1986 to fiscal 1988 as \$63,000 of computer and printing charges the division had incurred on behalf of the Property Assessment Division in fiscal 1986 were deleted. Miscellaneous costs were reduced approximately \$5,400 annually. Operating expenses related to the budget modification added approximately \$18,000 annually over fiscal 1986 actual expenditures.

No equipment was authorized for purchase in the 1989 biennium.

Modifieds Approved:

1. Two Revenue Agents - Two revenue agents, one for corporation tax and one for natural resource tax, have been approved. The modified positions and related operating expenses cost \$79,269 in fiscal 1988 and \$79,181 in fiscal 1989 and are funded from the general fund.

Funding: The Natural Resources and Corporation Tax Division is funded from general fund, state special revenue, and federal funds. The state special revenue includes an allocation of the oil and gas special revenue account and the state lands resource development account. The federal funds include federal royalty audit funds and are used to support 3.0 FTE federal mineral royalty auditors and operating costs.

General fund is budgeted to decrease 0.3 percent from fiscal 1986 to fiscal 1988.

Difference From Executive: The budget is 2 percent lower than the executive recommendation. Personal services were adjusted to eliminate \$10,295 in fiscal 1988 and \$18,830 in fiscal 1989, denying an executive request for position upgrades and funds to set up a career ladder in the corporate tax section. Operating expenses are adjusted to: 1) add \$6,929 per year for travel costs; 2) delete \$18,120 per year recommended for increased levels of expert witness fees and special legal services; 3) delete \$4,548 per year for one-time expenditures for supplies and materials; 4) increases of \$1,958 in fiscal 1988 and \$2,718 in fiscal 1989 in the rent base; and 5) other minor adjustments resulting in a net reduction of \$268 in fiscal 1988 and \$225 in fiscal 1989. The executive recommendation of \$2,500 in fiscal 1988 for a portable computer for the audit function was disapproved.



AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: PROPERTY ASSESSMENT DIVISION -  
ELECTED ASSESSORS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	36.40	35.70	35.70	0.00	35.70	35.70	0.00	-0.70
Personal Services	\$0	\$797,154	\$769,479	\$(27,675)	\$798,624	\$770,886	\$(27,738)	N/A
TOTAL EXPENSES	\$0	\$797,154	\$769,479	\$(27,675)	\$798,624	\$770,886	\$(27,738)	N/A
GENERAL FUND	\$0	\$797,154	\$769,479	\$(27,675)	\$798,624	\$770,886	\$(27,738)	N/A

Program Description: The Elected Assessors Program, newly created in this budget cycle, contains the personal services budget for Montana's elected county assessors.

Budget: The budget funds Montana's 51 elected county assessors at 70 percent of the estimated salaries and benefits and 100 percent of the estimated health insurance costs. Four percent vacancy savings was applied to all positions in this program.

Difference From Executive: The budget was adjusted to include 4 percent vacancy savings. The executive did not recommend any vacancy savings.

AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: PROPERTY ASSESSMENT DIVISION -  
APPRAISERS AND NON-ELECTED ASSESSORS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	395.10	335.05	351.05	16.00	335.05	363.05	28.00	-44.05
Personal Services	\$ 8,771,135	\$6,901,365	\$7,053,933	\$ 152,568	\$6,898,525	\$7,277,493	\$ 378,968	-19.58
Operating Expenses	1,263,527	1,404,224	1,346,838	(57,386)	1,337,851	1,527,064	189,213	6.59
Equipment	212,039	201,600	71,600	(130,000)	345,600	204,376	(141,224)	-66.23
TOTAL EXPENSES	\$10,246,701	\$8,507,189	\$8,472,371	\$ (34,818)	\$8,581,976	\$9,008,933	\$ 426,957	-17.32
FUNDING								
General Fund	\$10,221,701	\$8,507,189	\$8,472,371	\$ (34,818)	\$8,581,976	\$8,508,144	\$ (73,832)	-17.11
State Special Revenue	25,000	0	0	0	0	0	0	-100.00
Other Revenue	0	0	0	0	0	500,789	500,789	N/A
TOTAL FUNDING	\$10,246,701	\$8,507,189	\$8,472,371	\$ (34,818)	\$8,581,976	\$9,008,933	\$ 426,957	-17.32

Program Description: The Appraisers and Non-Elected Assessors Program contains the expenses necessary to operate the county offices and eight area offices.

Legislative Intent: The legislature gave an \$89,055 fiscal 1987 supplemental appropriation to the Department of Revenue for FTE and resources necessary to implement Senate Bill 200, which establishes a motor vehicle property tax. Language was included in House Bill 2 that the positions created with the supplemental appropriation would not carry forward into the 1989 biennium. For the implementation of Senate Bill 200, there may be no more than 36.0 FTE in fiscal 1988 and 34.0 FTE in fiscal 1989.

Budget: FTE are budgeted to decrease 44.05 between fiscal 1986 and fiscal 1988 and 32.05 between fiscal 1986 and fiscal 1989. This occurs because 24.0 FTE were authorized for fiscal 1986 only to assist in completing the reappraisal cycle; 5.0 FTE are reduced annually in the 1989 biennium due to the elimination of five area manager positions; 36.0 FTE are added in fiscal 1988 and 34.0 FTE in fiscal 1989 to implement Senate Bill 200; 15.0 FTE are added in fiscal 1989 to implement House Bill 436; 15.0 FTE each year were deleted as a result of reducing 50.0 deputy assessor positions from 100 percent to 70 percent state funded; 1.0 FTE is added each year and 1.0 FTE is eliminated in fiscal



1989 only as part of the approved budget modification; and the remaining 37.05 FTE reduction results from program transfers and/or 5 percent or pay plan cuts initiated by the agency and maintained in the 1989 biennium. Personal services decrease 19.6 percent from fiscal 1986 to fiscal 1988 because of the FTE reductions.

Operating expenses increase 6.6 percent from fiscal 1986 to fiscal 1988. Approximately \$140,000 of computer costs borne by other operating divisions in fiscal 1986 on behalf of the Property Assessment Division were added to this program in the 1989 biennium and additional computer charges were added (\$46,000 in fiscal 1988 and \$84,000 in fiscal 1989) as part of the approved budget modification. Operating funds were added to implement the provisions of new bills passed by the Fiftieth Legislature, including \$26,650 per year to implement Senate Bill 200 and \$210,400 in fiscal 1989 only to implement House Bill 436. Operating funds totaling \$46,000 were provided in fiscal 1988 only for the division to use local and area fee appraisers to assist field staff and to obtain a unit cost analysis needed to develop the appraisal manual for use during the third appraisal cycle, and for a subscription to the Marshall Valuation Service for the field staff.

These additional expenses were offset by a \$133,500 reduction in fiscal 1988 and a \$164,000 reduction in fiscal 1989 from fiscal 1986 in the funds budgeted for county computer support costs. Postage was reduced \$22,604 in fiscal 1988 and \$25,060 in fiscal 1989. The reduction for county computer support costs was part of the agency's fiscal 1987 five percent cut which has been continued into the 1989 biennium. The postage expense reduction results from the completion of the second appraisal cycle and a savings in the modified. The legislature also reduced travel \$12,000 annually to reflect its intent that only assessors and deputy assessors attend the assessor's school.

The division was authorized \$52,000 annually in the 1989 biennium to purchase eight cars each year. The approved modified authorized \$19,600 in fiscal 1988 and \$136,600 in fiscal 1989 for computer terminals. An additional \$15,776 was added in fiscal 1989 to purchase office equipment necessary to implement House Bill 436, annual assessment for like property.

#### Modifieds Approved:

1. On-Line Data System - This modified will develop an on-line data capture system accessible from county offices that will be used to electronically transmit agricultural land records and updates to existing residential/commercial records for batch processing on the state's mainframe computer. In addition, the current batch system will be modified to accept agricultural land data. The modified includes the recommendation that the state discontinue the use of the county computer systems for the purposes of real property appraisal and continue to use the county systems only for personal property appraisal. The modified cost is \$94,533 with a \$93,463 current level cost reduction for an overall cost of \$1,070 in fiscal 1988 and a net \$125,351 cost in fiscal 1989 (\$287,372 cost less \$162,021 current level reduction). This is funded from the general fund.

#### Other Legislation:

1. House Bill 436 - Annual Assessments for Similar Property - This act requires the Department of Revenue to conduct a sales assessment ratio study for the purpose of annually determining the correct assessment level for similar property located in specific areas of the state. The bill requires that for any revaluation of taxable property, that property must be appraised on its market value in the same year. House Bill 2 appropriates \$500,789 in fiscal 1989 only to the department to carry out the assessment provisions of the act.



2. Senate Bill 200 - Property Tax on Motor Vehicles - This act replaces the fee in lieu of tax on vehicles, motorcycles, and travel trailers with a property tax. The additional revenues generated by the new system will replace funds formerly granted to local governments by the block grant program. House Bill 2 appropriates \$624,650 in fiscal 1988 and \$591,451 in fiscal 1989 to include 36.0 FTE in fiscal 1988 and 34.0 FTE in fiscal 1989 (assessing clerks) to carry out the additional assessment functions required by the act.

Difference From Executive: The budget includes numerous adjustments to the executive recommendation, although the net adjustment resulted in only a slight reduction in fiscal 1988 and a 5 percent increase in fiscal 1989. The most significant adjustments were reductions in the portion of deputy assessor salaries paid by the state from 100 to 70 percent, elimination of five area manager positions, added appropriations for the provisions of House Bill 436 and Senate Bill 200, and disapproval of the majority of the recommended equipment budget.

Personal services increase due to the addition of 36.0 FTE assessor clerks in fiscal 1988 at a cost of \$597,994 in fiscal 1989 and 34.0 FTE in fiscal 1989 at a cost of \$564,795 to implement Senate Bill 200, and the addition of 15.0 temporary FTE in fiscal 1989 at a cost of \$274,678 to implement House Bill 436. Those increases were partially offset by reductions of approximately \$266,000 per year to reduce the state portion of deputy assessor salaries from 100 percent to 70 percent (a net reduction of 15.0 FTE), \$178,000 per year for the elimination of five of the eight area manager positions, and \$16,373 in fiscal 1989 for the elimination of 1.0 FTE for the modified.

Operating expenses increase due to: 1) the addition of \$26,656 per year to implement Senate Bill 200; 2) the addition to \$210,365 in fiscal 1989 to implement House Bill 436; and 3) increases of \$22,037 in fiscal 1988 and \$37,560 in fiscal 1989 over the executive recommendation for the on-line data system modified request, primarily for computer equipment.

Operating expenses decrease due to: 1) a reduction of \$12,000 per year to limit state funded assessor training to elected assessors and deputies only; 2) a reduction of \$9,000 in fiscal 1988 from the executive recommendation for contract services of local and area fee appraisers; 3) non-approval of \$49,673 per year in increased data entry and printing costs that had been paid by other divisions for property assessment functions in fiscal 1986; 4) reduction of \$9,000 in fiscal 1988 for computer maintenance costs; 5) non-approval of \$15,387 per year in increases over base level for photographic supplies, leased land for state vehicle parking, and vehicle tires; and 6) other minor adjustments resulting in a net reduction of \$11,019 in fiscal 1988 and \$8,308 in fiscal 1989.

Equipment allowances requested by the executive but not approved included eight vehicles and a reduction in the per vehicle allowance for the eight approved vehicles for a reduction of \$108,000 per year, and office equipment of \$22,000 in fiscal 1988 and \$49,000 in fiscal 1989. An equipment allowance of \$15,776 was added in fiscal 1989 for office equipment to implement the provisions of House Bill 436.

All adjustments were to the general fund, with the exception of the funding for the provisions of House Bill 436, which was funded from the education trust fund.

AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: PROPERTY ASSESSMENT DIVISION - HELENA

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	14.00	11.00	11.00	0.00	11.00	11.00	0.00	-3.00
Personal Services	\$403,603	\$299,820	\$299,878	\$ 58	\$300,021	\$300,104	\$ 83	-25.70
Operating Expenses	113,007	115,242	113,624	(1,618)	114,948	113,581	(1,367)	0.55
Equipment	24,213	8,652	9,025	373	500	373	(127)	-62.73
TOTAL EXPENSES	\$540,823	\$423,714	\$422,527	\$(1,187)	\$415,469	\$414,058	\$(1,411)	-21.87
GENERAL FUND	\$540,823	\$423,714	\$422,527	\$(1,187)	\$415,469	\$414,058	\$(1,411)	-21.87

Program Description: The Helena office of the Property Assessment Division is responsible for centrally assessing all intercounty and industrial property, defending the lawsuits, and regularly auditing all county offices.

Budget: The budget provides a 22 percent decrease from fiscal 1986 to fiscal 1988 due to FTE reductions and operating expense reductions. The division reorganized in fiscal 1987 which resulted in the FTE reduction and operating expense efficiencies. The operating expense budget includes \$60,000 each year due to the approval of the budget modification.

Modifieds Approved:

1. Railroad Appraisal - Litigation funds totaling \$60,000 annually for expected railroad and powerline tax appeals in the 1989 biennium were approved. This modified is line itemed in the general appropriations act and is funded from the general fund.

Difference From Executive: The approved budget included minor adjustments to the executive recommendation for reduced map and chart supplies and an increase in office equipment maintenance costs.

AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: PROPERTY ASSESSMENT DIVISION -  
ADMINISTRATION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	19.90	13.50	11.50	-2.00		13.50	11.50	-2.00		-8.40
Personal Services	\$508,909		\$353,161	\$(68,173)		\$421,326	\$353,057	\$(68,269)		-30.60
Operating Expenses	285,124	204,695	197,454	(7,241)		204,549	197,516	(7,033)		-30.75
Equipment	6,595	1,036	1,036	0		432	432	0		-84.29
TOTAL EXPENSES	\$800,628	\$627,065	\$551,651	\$(75,414)		\$626,307	\$551,005	\$(75,302)		-31.10
GENERAL FUND	\$800,628	\$627,065	\$551,651	\$(75,414)		\$626,307	\$551,005	\$(75,302)		-31.10

Program Description: The Administration Program of the Property Assessment Division contains the administrative and legal function of the division.

Budget: The budget reflects the agency's 6.4 FTE reduction caused by division reorganization and pay plan cuts in fiscal 1987. Two additional FTE were removed by the legislature as a cost savings measure. Operating expenses are budgeted to decrease 30.8 percent from fiscal 1986 to fiscal 1988 due primarily to expenditure efficiencies obtained in the reorganization. Building rent for the staff in Helena is contained in this program at \$50,000 annually.

Difference From Executive: The approved budget is 12 percent below the executive recommendation, primarily due to the elimination of two supervisor positions in the Appraisal and Assessment Bureau as a cost savings measure. Several minor reductions were made to operating expenses, including \$1,300 per year for expert witnesses, \$2,500 per year for printing costs, and \$3,200 per year for phone and postage costs.



AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: MOTOR FUELS TAX DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	26.50	25.00	25.00	0.00	25.00	25.00	0.00	-1.50
Personal Services	\$563,571	\$517,662	\$517,920	\$ 258	\$517,545	\$517,828	\$ 283	-8.10
Operating Expenses	98,036	183,883	184,245	362	190,128	190,521	393	87.94
Equipment	19,751	8,952	8,620	(332)	300	0	(300)	-56.36
TOTAL EXPENSES	\$681,358	\$710,497	\$710,785	\$ 288	\$707,973	\$708,349	\$ 376	4.32
STATE SPECIAL REVENUE	\$681,358	\$710,497	\$710,785	\$ 288	\$707,973	\$708,349	\$ 376	4.32

Program Description: The Motor Fuels Tax Division administers and enforces the motor fuel tax law including the issuance of licenses and permits, collection of taxes, enforcement of the bonding requirements, and payment of refunds.

Budget: The budget deletes 1.50 FTE from fiscal 1986 to the 1989 biennium. This reflects the reduction made by the agency in response to the fiscal 1987 pay plan cut. Four percent vacancy savings was applied in this program.

Operating expenses increase 88 percent because an additional \$83,358 in fiscal 1988 and \$89,601 in fiscal 1989 was authorized for increased computer processing costs expected to be incurred by the division as a result of implementing the new computer system developed in the 1987 biennium.

One vehicle was authorized for purchase in fiscal 1988. No equipment was authorized for purchase in fiscal 1989.

Funding: The Motor Fuels Tax Division is funded from the highway state special revenue fund.

Difference From Executive: There were no significant adjustments to the executive recommendation.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	400.30	392.59	387.09	-2.50	394.09	391.09	0.00	-13.21
Personal Services	\$ 9,968,261	\$10,289,954	\$10,204,090	\$ (85,864)	\$10,289,169	\$10,252,555	\$ (36,614)	2.37
Operating Expenses	17,795,309	20,784,378	20,497,197	(287,181)	21,443,274	20,742,036	(701,238)	15.18
Equipment	1,824,875	1,825,515	1,588,902	(236,613)	1,601,889	1,386,899	(214,990)	-12.93
Non-Operating	3,425,895	2,729,875	3,470,783	740,908	2,727,024	3,455,410	728,386	1.31
TOTAL EXPENSES	\$33,014,340	\$35,629,722	\$35,760,972	\$ 131,250	\$36,061,356	\$35,836,900	\$ (224,456)	8.32
FUNDING								
General Fund	\$ 3,695,103	\$ 3,854,965	\$3,857,082	\$ 2,117	\$ 3,760,101	\$ 3,650,505	\$ (109,596)	4.38
State Special Revenue	843,128	907,236	866,833	(40,403)	899,596	859,579	(40,017)	2.81
Proprietary Fund	28,476,109	30,867,521	31,037,057	169,536	31,401,659	31,326,816	(74,843)	8.99
TOTAL FUNDING	\$33,014,340	\$35,629,722	\$35,760,972	\$ 131,250	\$36,061,356	\$35,836,900	\$ (224,456)	8.32

Program Description: The primary goal of the Department of Administration is to provide services to state agencies in the areas of accounting, financial reporting, insurance, communications, data processing, personnel management and labor relations, purchasing, printing, mail and messenger, and records management. The Department also administers the Long-Range Building Program, State Employee Group Benefits Program, and various state retirement programs. Functions attached to the Department for administrative purposes include the Board of Examiners, State Tax Appeals Board, Workers' Compensation Court, Public Employees' Retirement System, and Teachers' Retirement Division.

Legislative Intent: The following language was added:

"Funds remaining in the capitol land grant account of the capital projects fund, after the appropriation has been met for the General Services Division of the Department of Administration, are appropriated to the long-range building debt service fund for the payment of principal and interest on bonds issued for public buildings at the capitol for executive, legislative, and judicial purposes, as outlined in section 12 of the Enabling Act. This appropriation is for the biennium ending June 30, 1989 and is not to exceed the annual debt service required on these bonds."



Budget: The budget provides a 8.6 percent increase for the Department of Administration from fiscal 1986 to fiscal 1988. FTE were decreased 11.71, primarily resulting from agency reductions for the 5 percent and pay plan cuts in fiscal 1987. Also deleted were 3.0 FTE due to vacancies and workload decreases. FTE reductions totaling 15.5 FTE were made in the Information Services Division, Purchasing Division, General Services Division, Centralized Services Division, the Board of Investments, the Workers' Compensation Court, Public Employees' Retirement Division, and Teachers' Retirement System. There were 18.0 FTE in the Investment Division transferred to the Department of Commerce. FTE increases totaling 3.79 FTE occurred in the Architecture and Engineering Division and Publications and Graphics Division. The increase in the Publications and Graphics Division occurs only in legislative years.

Personal services increases 2.37 percent from fiscal 1986 to fiscal 1988 in spite of the FTE reductions primarily because personal services in the 1989 biennium are based on a fully funded fiscal 1987 pay matrix. Another cause of the increase is that the department experienced an overall vacancy savings rate of 4.2 percent in fiscal 1986 while a 4 percent vacancy savings was applied in the 1989 biennium.

Operating expenses increase 15.75 percent due to several factors. Growth in agency services, approximately \$519,300 in fiscal 1988 and \$580,200 in fiscal 1989, was added in the Information Services Division, Property and Supply Bureau, Mail and Management Program, and Accounting Division. The budget increased \$549,300 each year for a full year's operation of the Print and Purchasing Coordinator Program in Publications and Graphics as the program operated only 9 months in fiscal 1986. Total agency legislative audit expenditures in fiscal 1988 is budgeted at \$241,015. The agency actually expended \$92,011 in fiscal 1986.

Approved modifieds added \$687,929 of operating expenses in fiscal 1988 and \$477,440 in fiscal 1989. Higher costs were the cause of increased operating expenditures in the General Services Division and Tort Claims Division. The General Services Division is budgeted to pay an additional \$222,602 in fiscal 1988 and \$379,197 in fiscal 1989 due to anticipated cost increases for utilities and janitorial services. The Tort Claims Division is budgeted to pay an additional \$346,158 annually for increased insurance costs.

Information Services is budgeted to pay an additional \$23,393 annually for increased rent on non-state buildings. The Personnel Division was provided an additional \$48,650 annually to allow for increased health promotion services, increased computer charges to respond to new federal legislation, and annual claims audit expense required by law. The Workers' Compensation Court was provided an additional \$27,655 in fiscal 1988 and \$19,500 in fiscal 1989 in the event the Court is required to move from its present location. Finally, the Teachers' Retirement System was provided an additional \$38,266 in fiscal 1988 and \$41,855 in fiscal 1989 to allow for increased computer processing charges associated with its new computer system implemented July 1986.

Equipment expenditures are budgeted to decrease 12.9 percent from fiscal 1986 to fiscal 1988. Approximately 95 percent of the authorized equipment purchases are in the Information Services Division, Operations Program.

Non-operating expenditures include lease purchase payments in the Publications and Graphics Division, Information Services Division, and Mail and Management Program. Lease purchase payments total \$2,146,255 in fiscal 1988 and \$2,136,332 in fiscal 1989. Transfers from non-propietary funds to proprietary funds as required by generally accepted accounting principles also constitute a portion of non-operating costs each year. This type of transfer occurs in the Tort Claims Division and the Personnel Division. Fund transfers of this type total \$773,246 in fiscal 1988 and



\$760,602 in fiscal 1989. The Architecture and Engineering Division also transfers funds from the long-range building capital projects fund into a state special revenue fund to operate the division. This transfer is \$560,472 in fiscal 1988 and \$562,400 in fiscal 1989.

Funding: The Department is funded from general fund, state special revenue, and other revenue which consists primarily of proprietary funds. General fund supports all or a portion of several divisions, including the Director's Office, Accounting Division, General Services Division, Purchasing Division, Centralized Services Division, Personnel Division, and the State Tax Appeal Board. General fund contributes 10.5 percent of the Department's total budget in the 1989 biennium compared to 11.2 percent in fiscal 1986.

State special revenue includes the transfer of long-range building funds to the Architecture and Engineering Division and an allocation of the Workers' Compensation state special revenue account for the Workers' Compensation Court. State special revenue contributes approximately 2.4 percent of the total funding for the Department.

Other revenue includes: 1) pension trust funds, \$1,192,221 in fiscal 1988 and \$1,111,867 in fiscal 1989; 2) capital project funds, \$619,273 in fiscal 1988 and \$621,201 in fiscal 1989; and 3) proprietary funds, \$29,325,563 in fiscal 1988 and \$29,493,748 in fiscal 1989. The pension trust funds are used for the two retirement systems. The capital project funds are used to fund the operating costs for the Architecture and Engineering Division and a portion of the costs in the General Services Division. Proprietary funds are used to support several divisions, including the Publications and Graphics Division, Information Services Division, General Services Division, Property and Supply Bureau, Mail and Management Program, Tort Claims Division, and the Personnel Division.

Other Legislation: Senate Bill 298 transfers the Board of Investments from the Department of Administration to the Department of Commerce.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: DIRECTOR'S OFFICE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	8.00	8.00	8.00	0.00	8.00	8.00	0.00	0.00
Personal Services	\$260,518	\$277,603	\$277,016	\$ (587)	\$277,526	\$276,725	\$ (801)	6.33
Operating Expenses	23,037	26,272	26,207	(65)	27,171	27,117	(54)	13.76
Equipment	11,581	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$295,136	\$303,875	\$303,223	\$ (652)	\$304,697	\$303,842	\$ (855)	2.74
FUNDING								
General Fund	\$253,155	\$252,877	\$254,147	\$ 1,270	\$254,089	\$255,153	\$ 1,064	0.39
Proprietary Fund	41,981	50,998	49,076	(1,922)	50,608	48,689	(1,919)	16.90
TOTAL FUNDING	\$295,136	\$303,875	\$303,223	\$ (652)	\$304,697	\$303,842	\$ (855)	2.74

Program Description: This program is responsible for the overall supervision and coordination of the department's ten divisions and the four administratively attached boards and agencies. In addition, the program provides legal services, internal management reviews, and assistance in special projects to the divisions and bonding expertise for the Board of Examiners.

Budget: The budget increases 2.74 percent from fiscal 1986 to fiscal 1988. Per diem and travel costs totaling \$490 each year for two legislative members of the Capital Finance Advisory Council are included. Computer charges of \$600 per year are included to hook up the Director's Office to the state mainframe networking system. No equipment was authorized for the 1989 biennium.

Funding: This program is funded from the general fund and proprietary funds. The proprietary funds are fees charged to various divisions within the Department of Administration for legal services provided by the legal staff on behalf of the divisions. These fees are used to pay the personal services for 1.375 FTE legal staff in the Director's Office in the 1989 biennium. This is up from 1.25 FTE in fiscal 1986.

AGENCY: DEPARTMENT OF ADMINISTRATION		LEGISLATIVE ACTION				PROGRAM: GOVERNOR ELECT PROGRAM	
BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change	
		Executive	Legislature	Difference	Executive	Legislature	Difference
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING EXPENSES	\$0 =====	\$0 =====	\$0 =====	\$0 =====	\$25,000 =====	\$5,000 =====	\$(20,000) =====
GENERAL FUND	\$0 =====	\$0 =====	\$0 =====	\$0 =====	\$25,000 =====	\$5,000 =====	\$(20,000) =====
							N/A =====
							N/A =====

Program Description: Section 2-15-221, MCA provides that the Department of Administration shall provide the Governor-elect and necessary staff suitable office space in the capitol building together with operating expenses for the period between the general election and the inauguration.

Budget: Approved was \$5,000 general fund for fiscal 1989.



AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: ACCOUNTING DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	12.25	12.00	12.00	0.00		12.00	12.00	0.00		-0.25
Personal Services	\$316,110	\$323,497	\$323,575	\$ 78		\$323,458	\$323,553	\$ 95		2.36
Operating Expenses	499,650	510,868	537,315	26,447		504,526	504,522	(4)		7.54
Equipment	12,982	200	0	(1200)		100	0	(100)		-100.00
TOTAL EXPENSES	\$828,742	\$834,565	\$860,890	\$26,325		\$828,084	\$828,075	\$ (9)		3.88
GENERAL FUND	\$828,742	\$834,565	\$860,890	\$26,325		\$828,084	\$828,075	\$ (9)		3.88

Program Description: The accounting division operates and maintains the Statewide Budgeting and Accounting System (SBAS) and the Property Accountability Management System (PAMS). SBAS controls agencies' use of appropriation authority and cash balances in accordance with legal mandates. The division controls the inflow of data to SBAS and distributes daily, monthly, and year-end reports that summarize agencies' accounting transactions. The division establishes the state's accounting policies in accordance with generally accepted accounting principles and provides accounting assistance and instruction to agencies. The division also prepares the state's annual financial report and the statewide indirect cost allocation plan.

Budget: The budget provides an overall 3.9 percent increase from fiscal 1986 to fiscal 1988. Personal services increase 2.4 percent because salaries were increased to the fiscal 1987 pay matrices. This is partially offset by a deletion of a 0.25 FTE which was removed as part of the agency's 5 percent and pay plan cut in fiscal 1987 which was continued in the 1989 biennium. Four percent vacancy savings was applied to all positions in the division.

Operating expenses are budgeted to increase 7.5 percent from fiscal 1986 to fiscal 1988 due to: 1) additional funds of \$31,341 in fiscal 1988 and \$53,214 in fiscal 1989 being provided to allow for user agency growth in SBAS document processing; 2) a \$25,000 budget modification approved in fiscal 1988 only; 3) a \$29,000 reduction in the SBAS key verification contract that the division has with Information Services Division; and 4) a \$10,971 increase in legislative audit costs from fiscal 1986 expended (\$8,362) to fiscal 1988 authorized (\$19,333).

Modifieds Approved:

1. Statewide Cost Allocation Plan - The division was authorized to acquire services on a contingency fee basis for assistance in preparing the state's statewide cost allocation plan used in negotiating an indirect cost rate with the federal government in fiscal 1988. General fund of \$25,000 was provided for this purpose in fiscal 1988.

Difference From Executive: The major differences between the legislative approved budget and the executive budget is the approved modified of \$25,000 for fiscal 1988.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: ARCHITECTURE AND ENGINEERING DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	14.96	15.25	15.25	15.25	15.25	0.29
Personal Services	\$ 418,278	\$ 459,605	\$ 460,222	\$ 459,268	\$ 459,897	\$ 629
Operating Expenses	86,526	99,753	97,822	101,964	100,443	(1,521)
Equipment	26,356	2,806	2,428	2,438	2,060	(378)
Non-Operating	536,737	562,164	560,472	563,670	562,400	(1,270)
TOTAL EXPENSES	\$1,067,897	\$1,124,328	\$1,120,944	\$1,127,340	\$1,124,800	\$(2,540)
FUNDING						4.97
State Special Revenue	\$ 531,160	\$ 562,164	\$ 560,472	\$ 563,670	\$ 562,400	\$(1,270)
Capital Projects Fund	536,737	562,164	560,472	563,670	562,400	(1,270)
TOTAL FUNDING	\$1,067,897	\$1,124,328	\$1,120,944	\$1,127,340	\$1,124,800	\$(2,540)
						4.97

Program Description: The Architecture and Engineering Division oversees construction, renovations, and repair of state-owned buildings. The division also formulates a long-range building plan for legislative consideration each session.

Budget: The budget increases approximately 5 percent from fiscal 1986 to fiscal 1988 due to 10 and 13 percent increases in personal services and operating expenses, respectively. Personal services increase 10 percent as the division experienced over 7 percent vacancy savings in fiscal 1986 and 4 percent vacancy savings was applied in the 1989 biennium.

Operating expenses increase approximately 13 percent primarily because the Department of Administration is allocating a larger portion of the Director's Office legal staff costs to the Architecture and Engineering Division. The budget provides \$18,138 in fiscal 1988 and \$17,996 in fiscal 1989 for these legal costs compared to \$8,583 spent by this division for these services in fiscal 1986. Printing costs increase \$3,200 in fiscal 1989 to allow for the printing of the biennial Long Range Building Plan.



Funding: The Architecture and Engineering Division is funded from the long range building cash account. This account receives 20.25 percent of the cigarette tax, interest on bond proceeds, and supervisory fees which the Architecture and Engineering Division collects for assisting with non-long range building cash projects. The amount needed to operate the Architecture and Engineering Division is transferred from the long range building cash account to a separate account in the state special revenue fund. This transfer shows on the table as non-operating expenses.

Difference From Executive: The approved budget is lower than the executive budget in two areas: 1) The executive budget includes an increase for water pool costs to correct an accounting error in the base year at \$1,245 each year; and 2) The executive budget includes \$3,180 per year for staff training. These are partially offset by two items in the approved budget which are higher than the executive: 1) The legislative budget includes \$600 per year for connecting one personal computer to the mainframe; and 2) the transfer expenditure is \$1,692 and \$1,270 higher in fiscal years 1988 and 1989.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: PUBLICATIONS AND GRAPHICS -  
PURCHASING AND PRINT COORDINATOR

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	6.00	2.50	2.50	0.00	2.50	2.50	0.00	-3.50
Personal Services	\$ 61,110	\$ 53,081	\$ 52,925	\$ (156)	\$ 53,156	\$ 53,004	\$ (152)	-13.39
Operating Expenses	1,429,600	1,982,176	1,980,919	(1,257)	1,983,353	1,981,089	(2,264)	38.56
Equipment	1,993	2,487	0	(2,487)	1,115	0	(1,115)	-100.00
TOTAL EXPENSES	\$1,492,703	\$2,037,744	\$2,033,844	\$ (3,900)	\$2,037,624	\$2,034,093	\$ (3,531)	36.25
PROPRIETARY FUND	\$1,492,703	\$2,037,744	\$2,033,844	\$ (3,900)	\$2,037,624	\$2,034,093	\$ (3,531)	36.25

Program Description: The purchasing and print coordination function of the Publications and Graphics Division was authorized by the 1985 legislature as the central agency which will procure private printing contracts on behalf of other state agencies. This program also monitors the awarded contracts, performs a compliance inspection upon delivery of the product, and audits all claims prior to payment.

Budget: The budget provides a 36 percent increase from fiscal 1986 to fiscal 1988 due to a \$549,300 annual increase in the 1989 biennium over actual fiscal 1986 expenditures for goods for resale. The adjustment was allowed to reflect a full year's operations of the program, rather than 9 months as was experienced in fiscal 1986.

Personal services decreases 13 percent and FTE decrease 3.5 due to reorganization of the personnel within the Publications and Graphics Division and reduction for the unfunded fiscal 1987 pay plan. Vacancy savings was set at 4 percent. No equipment was authorized for the 1989 biennium.

Funding: This program is funded from fees charged to user agencies and deposited to the division's proprietary fund. In fiscal 1986, 49 percent of the revenue in this proprietary fund was derived from the general fund.

Difference From Executive: The approved budget is less than the executive budget for operating expenses by \$1,257 in fiscal 1988 and \$2,257 in fiscal 1989, these differences being in contract printing costs. The legislature did not authorize any equipment for this program.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: PUBLICATION AND GRAPHICS - OPERATIONS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	13.00	18.50	18.50	0.00	22.50	22.50	0.00	5.50
Personal Services	\$ 403,158	\$ 413,586	\$ 417,260	\$ 3,674	\$ 492,572	\$ 496,778	\$ 4,206	3.50
Operating Expenses	539,821	583,589	581,011	(2,578)	780,755	779,186	(1,569)	7.63
Equipment	33,605	25,800	7,800	(18,000)	0	0	0	-76.79
Non-Operating	123,913	123,913	123,913	0	123,913	123,913	0	0.00
TOTAL EXPENSES	\$1,100,497	\$1,146,888	\$1,129,984	\$(16,904)	\$1,397,240	\$1,399,877	\$ 2,637	2.68
PROPRIETARY FUND	\$1,100,497	\$1,146,888	\$1,129,984	\$(16,904)	\$1,397,240	\$1,399,877	\$ 2,637	2.68

Program Description: The operations program of the Publications and Graphics Division includes the pre-press and printing functions, such as publication design and illustrative art, typography, reprographics, and duplicating and binding.

Budget: The budget increases 2.7 percent from fiscal 1986 to fiscal 1988. The 5.5 FTE increase between fiscal 1986 and 1988 is due to reorganization within the division. The 4.0 FTE increase in fiscal 1989 is for temporary staff added during the regular 1989 legislative session.

Equipment funding in fiscal 1988 is for one collator and two map files. No equipment was authorized for fiscal 1989. The non-operating expenses are for principal and interest payments for the division's duplicating equipment.

Funding: The operations program is funded from the division's proprietary fund which receives revenue from charging fees to user agencies. In fiscal 1986, 49 percent of the revenue within proprietary fund was derived from the general fund.

Difference From Executive: The approved budget is higher than the executive in personal services for overtime benefits by \$2,970 in fiscal 1988 and \$7,231 in fiscal 1989. Operating expenses are less than the executive budget because: 1) The executive budget included \$1,637 per fiscal year for agencies to electronically transfer jobs to publications and graphics; and 2) the executive budget was overstated in postage by \$1,008 per year. The equipment approved was \$18,000 less than in the executive budget.



AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: PUBLICATIONS AND GRAPHICS -  
ADMINISTRATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	8.00	5.50	5.50	0.00	5.50	5.50	0.00	-2.50
Personal Services	\$152,582	\$156,608	\$156,673	\$ 65	\$156,772	\$156,852	\$ 80	2.68
Operating Expenses	276,612	291,902	290,668	(1,234)	306,174	304,391	(1,783)	5.08
Equipment	20,971	1,608	1,608	0	0	0	0	-92.33
Non-Operating	251,640	251,640	251,640	0	251,640	251,640	0	N/A
TOTAL EXPENSES	\$701,805	\$701,758	\$700,589	\$(1,169)	\$714,586	\$712,883	\$(1,703)	-0.17
PROPRIETARY FUND	\$701,805	\$701,758	\$700,589	\$(1,169)	\$714,586	\$712,883	\$(1,703)	-0.17

Program Description: This program is responsible for the administration of the Publications and Graphics Division and operates the state's photocopier pool as authorized in Section 2-17-301, MCA.

Budget: The budget provides a 0.2 percent overall decrease in fiscal 1988 from fiscal 1986. The FTE decrease of 2.5 is due to reorganization within the division. Four percent vacancy savings was applied to all FTE. The operating expense increase from fiscal 1986 to fiscal 1988 is due to \$8,907 legislative audit fees included in fiscal 1988 while \$1,854 was spent in fiscal 1986. In addition, rent charged to this program as a result of remodeling has increased approximately \$5,000 each year of the 1989 biennium from fiscal 1986. Fiscal 1989 operating expenses include \$22,261 for additional costs related to the 1989 regular legislative session.

Equipment funding in fiscal 1988 includes \$936 for two replacement desks, \$400 for a display case, and \$272 for two bookcases. No equipment is authorized for fiscal 1989. The non-operating expenses include principal and interest payments for the division's photocopiers used for the photocopy pool.

Funding: This program is funded from fees charged to user agencies and deposited to the division's proprietary fund. In fiscal 1986, 49 percent of the revenue in the proprietary fund was derived from the general fund.

AGENCY: DEPARTMENT OF ADMINISTRATION		LEGISLATIVE ACTION				PROGRAM: INFORMATION SERVICES DIVISION - ADMINISTRATION			
BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change			
		Executive	Legislature	Difference	Executive	Legislature	Difference		
FTE	7.00	7.00	7.00	0.00	7.00	7.00	0.00		
Personal Services	\$213,497	\$236,672	\$236,833	\$ 161	\$236,895	\$237,072	\$ 177		
Operating Expenses	68,577	95,536	79,253	(16,283)	54,966	44,055	(10,911)		
Equipment	3,217	2,200	0	(2,200)	7,735	0	(7,735)		
Non-Operating	265	0	0	0	0	0	0		
TOTAL EXPENSES	\$285,556	\$334,408	\$316,086	\$(18,322)	\$299,596	\$281,127	\$(18,469)		
PROPRIETARY FUND	\$285,556	\$334,408	\$316,086	\$(18,322)	\$299,596	\$281,127	\$(18,469)		
							10.69		

Program Description: This program administers the Information Services Division; controls, coordinates, and plans for statewide data processing and information services; and manages an equipment pool for use by user agencies.

Budget: The budget increases 10.7 percent in total expenses from fiscal 1986 to fiscal 1988. Personal services increase 10.9 percent in the same time period while FTE remain constant because a 1.0 FTE systems analyst was transferred into the program at an estimated annual \$39,000 cost while a 1.0 FTE planner was deleted at an estimated annual savings of \$23,600. In addition, the program experienced 4.5 percent vacancy savings in fiscal 1986 rather than the 2 percent budgeted by the 1985 legislature. A 4 percent vacancy savings rate was applied to all positions in this program in the 1989 biennium.

Operating expenses increase between fiscal 1986 and fiscal 1988 and then decrease in fiscal 1989 because \$35,449 is included in fiscal 1988 for audit costs while \$13,071 was spent on audits in fiscal 1986. Funding for the division's share of the department's legal services in the Director's Office increased \$8,799 in fiscal 1988 and \$8,728 in fiscal 1989. Rent paid to the general services division increased \$2,379 in fiscal 1988 and \$2,699 in fiscal 1989 from the fiscal 1986 expenditure level. Fiscal 1986 one-time contracted services expense of \$23,625 was deleted from the budget.

No equipment was authorized for the 1989 biennium.

Funding: This program is funded from the central data processing proprietary fund. In fiscal 1986, 39 percent of the revenue in this proprietary fund was derived from the general fund.

Difference From Executive: The operating expenses are higher in the executive budget because they include \$15,000 in fiscal 1988 for printing a users manual and \$8,000 in fiscal 1989 to print the state-wide data processing plan. Neither of these two costs were approved by the legislature. The legislature did not approve any equipment for this program.



AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: INFORMATION SERVICES DIVISION -  
CENTRAL COMPUTER OPERATIONS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	78.45	76.45	76.45	0.00		76.45	76.45	0.00		-2.00
Personal Services	\$1,910,847	\$1,918,565	\$1,919,580	\$ 1,015		\$1,917,479	\$1,918,242	\$ 763		0.46
Operating Expenses	2,176,760	2,404,235	2,355,677	(48,558)		2,533,984	2,428,820	(105,164)		8.22
Equipment	1,428,410	1,652,092	1,525,960	(126,132)		1,470,595	1,340,963	(129,632)		6.83
Non-Operating	119,563	0	0	0		0	0	0		-100.00
TOTAL EXPENSES	\$5,635,580	\$5,974,892	\$5,801,217	\$ (173,675)		\$5,922,058	\$5,688,025	\$ (234,033)		2.94
PROPRIETARY FUND	\$5,635,580	\$5,974,892	\$5,801,217	\$ (173,675)		\$5,922,058	\$5,688,025	\$ (234,033)		2.94

Program Description: The Central Computer Operations Program provides mainframe computer processing 24 hours a day, 7 days a week. Other services include data network control and management, data entry and word processing, problem resolution, technical support, and records management.

Budget: The budget includes a 2.0 FTE reduction made by the agency in response to the pay plan cut in fiscal 1987. Four percent vacancy savings was applied to the remaining positions for the 1989 biennium. Operating expenses increase 8.2 percent between fiscal 1986 and 1988 in anticipation of growth of computer services by user agencies and because \$100,000 annually was authorized for purchase of a new operating system.

The equipment expenditures include \$1,244,960 in fiscal 1988 and \$1,076,463 for principal payments on existing installment purchases. Also included is \$2,500 per year for shelving and \$9,000 in fiscal 1988 only for a microfilm camera, and \$269,000 in fiscal 1988 and \$262,000 in fiscal 1989 for disk storage devices and network control equipment.

Modifieds Approved:

1. Operating System - The legislature approved \$100,000 per year for an operating system upgrade for the state mainframe. This operating system will enhance the capacity of the mainframe to make additional on-line and database processing possible.

2. Disk Storage and Network Control Equipment - The legislature approved \$269,000 in fiscal 1988 and \$262,000 in fiscal 1989 to purchase additional equipment for disk storage and network control. This equipment is needed to meet the anticipated demand for services provided to state agencies.

Funding: This program is supported by the central data processing proprietary fund. In fiscal 1986, 39 percent of the revenue in this fund came from the general fund.

Difference From Executive: The executive budget is higher in the following areas than the approved budget: 1) contracted services for consulting and work study is \$14,704 higher in fiscal 1988 and \$26,514 in fiscal 1989; 2) repairs and maintenance is \$30,103 higher in fiscal 1988 and \$20,109 higher in fiscal 1989; 3) goods for resale are \$4,821 and \$54,589 higher for fiscal years 1988 and 1989 respectively; 4) Equipment is \$6,132 and \$9,632 higher in fiscal years 1988 and 1989; and 5) the approved modified is \$120,000 higher each fiscal year.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: INFORMATION SERVICES DIVISION -  
INFORMATION CENTER

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	12.00	12.00	12.00	0.00		12.00	12.00	0.00		0.00
Personal Services	\$329,668	\$334,308	\$334,404	\$ 96		\$334,474	\$334,596	\$ 122		1.44
Operating Expenses	126,612	89,265	77,054	(12,211)		85,089	77,373	(7,716)		-39.14
Equipment	17,117	93,754	36,000	(57,754)		92,754	36,000	(56,754)		110.32
Non-Operating	1,591	0	0	0		0	0	0		-100.00
TOTAL EXPENSES	\$474,988	\$517,327	\$447,458	\$(69,869)		\$512,317	\$447,969	\$(64,348)		-5.80
PROPRIETARY FUND	\$474,988	\$517,327	\$447,458	\$(69,869)		\$512,317	\$447,969	\$(64,348)		-5.80

Program Description: The Information Center provides user assistance, trains users on mainframe and microcomputer products, provides technical support for microcomputers and word processing systems and provides consultation on office automation needs, system selection, and implementation planning.

Budget: The budget provides for fiscal 1986 services in the 1989 biennium. The 5.8 percent overall expenditure decrease is caused by the software merchandising function being transferred to the Purchasing Division in the 1989 biennium. Four percent vacancy savings was applied to all positions in this program.

The equipment budget includes funding for three microcomputer systems, with related hardware and software, each year of the 1989 biennium.

Funding: This program is funded by an allocation from the central data processing proprietary fund. In the 1989 biennium, Information Services Division will begin charging a separate fee, assessed to agencies on the basis of the number of microcomputers owned by the agency, to help pay for the services offered by the Information Center. This separate fee is expected to generate approximately \$90,000 in fiscal 1988 and \$99,000 in fiscal 1989.

Difference From Executive: The approved budget is lower than the executive budget in operating expenses because the executive budget includes \$9,695 and \$5,195 more in education supplies than was approved by the legislature. The equipment difference is primarily in the number of personal computers. The executive budget contained twelve computers while the legislature approved only three.



AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: INFORMATION SERVICES DIVISION -  
SYSTEMS DEVELOPMENT

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	24.00	23.00	23.00	0.00	23.00	23.00	0.00	-1.00
Personal Services	\$ 747,380	\$ 737,482	\$ 737,818	\$ 336	\$ 736,601	\$736,952	\$ 351	-1.28
Operating Expenses	251,445	378,812	322,095	(56,717)	379,845	323,115	(56,730)	28.10
Equipment	6,418	25,380	0	(25,380)	17,630	0	(17,630)	-100.00
TOTAL EXPENSES	\$1,005,243	\$1,141,674	\$1,059,913	\$(81,761)	\$1,134,076	\$1,060,067	\$(74,009)	5.44
PROPRIETARY FUND	\$1,005,243	\$1,141,674	\$1,059,913	\$(81,761)	\$1,134,076	\$1,060,067	\$(74,009)	5.44

Program Description: This program is responsible for planning, designing, developing, and supporting computer programs for state agencies. The staff in this program also assist all agency programming staffs with the design of computer programs using the state database software.

Budget: The budget increases 5.4 percent from fiscal 1986 to fiscal 1988. One FTE systems analyst is transferred from this program to the Information Services Division's Administration program. Vacancy savings was set at 4 percent.

Operating expenses increase as \$200,000 is included as a biennial appropriation for contract programming. In fiscal 1986, \$38,078 was expended for this purpose. For the purpose of comparison, the appropriation is included in the abover table at \$100,000 per year. No equipment was authorized for this program for the 1989 biennium.

Modifieds Approved:

1. Contract Programming - A biennial \$200,000 line-itemed appropriation was approved for contract programming. The modified is funded from the central data processing proprietary fund.

Funding: This program is funded from an allocation of the central data processing proprietary fund. The systems development program assesses an hourly rate for designing, developing, and supporting computer programs for state agencies. The cost incurred for the assistance provided to programming staff in other agencies is recovered through other computer rates.

Difference From Executive: The executive budget is higher in software rent than the approved budget by \$32,550 per fiscal year and in the modified for contract programming by \$25,000 each year. There was no equipment authorized for this program.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: INFORMATION SERVICES DIVISION -  
TELECOMMUNICATIONS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Legislature	Difference	
FTE	16.14	16.14	0.00	16.14	0.00	0.00
Personal Services	\$ 472,167	\$ 482,695	\$ 106	\$ 482,941	\$ 140	2.25
Operating Expenses	5,295,968	5,682,525	(28,606)	5,723,354	(52,122)	6.76
Equipment	58,220	0	0	0	0	-100.00
Non-Operating	1,764,673	1,758,236	0	1,754,398	(300)	-0.36
TOTAL EXPENSES	\$7,591,028	\$7,923,456	\$(28,500)	\$7,960,693	\$(52,282)	4.00
PROPRIETARY FUND	\$7,591,028	\$7,923,456	\$(28,500)	\$7,960,693	\$(52,282)	4.00

Program Description: The Telecommunications Program is responsible for the operation of the state telephone system, designing and developing telecommunication systems, technical service and support, and planning and coordinating statewide telecommunications in general.

Budget: The budget increases 4 percent in total expenditures from fiscal 1986 to fiscal 1988. The primary factor contributing to the increase is the expanded telephone equipment and maintenance charges authorized in the modified. No new equipment is authorized for purchase in the 1989 biennium. Legislative audit fees are included at \$15,755 in fiscal 1988. Four percent vacancy savings was applied to all positions in the program.

Non-operating expenses are the lease purchase payments for the state's telephone system.

Modifieds Approved:

1. Centralize Telephone Equipment and Maintenance - A modified totaling \$403,633 in fiscal 1988 and \$411,719 in fiscal 1989 was approved to allow the department to continue to centralize telephone equipment and maintenance payments for state agencies that currently pay telephone vendors directly for telephone services.

Funding: The Telecommunications Program is funded from the telecommunications proprietary fund. This program charges state agencies for the use and maintenance of the telephone equipment and the telephone calls made by the

user agencies. These fees are deposited into the telecommunication proprietary fund. In fiscal 1986, 36 percent of the fees deposited into this proprietary fund came from the general fund.

Difference From Executive: The approved budget is lower than the executive budget in two areas: 1) Contracted services for testing network facilities is \$15,000 and \$25,000 less in fiscal years 1988 and 1989 respectively; and 2) communications are less by \$17,295 and \$33,721 for the two fiscal years based on differences in growth factors applied.



AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: INFORMATION SERVICES DIVISION -  
911 EMERGENCY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	0.00	2.00	0.00	2.00	0.00	2.00
Personal Services	\$0	\$62,983	\$0	\$62,889	\$0	N/A
Operating Expenses	0	13,688	\$0	13,782	0	N/A
TOTAL EXPENSES	\$0	\$76,671	\$0	\$76,671	\$0	N/A
PROPRIETARY FUND	\$0	\$76,671	\$0	\$76,671	\$0	N/A

Program Description: The 911 Emergency Program was authorized by the 1985 Legislature to allow the development of a statewide system for 911 emergency telephone help from a public safety agency. The program became effective January 1, 1987.

Budget: The executive recommendation was adopted. The department is allowed by law to spend not more than 7 percent of the anticipated revenue to carry out its functions defined in statute. The budget adopted reflects 7 percent of the anticipated revenue collections each year of the 1989 biennium. Two FTE will be used to implement the program.

Funding: Statute provides that a 25 cent fee per month will be assessed on each access line for each service subscriber in the state. This fee will be used to support the program within the Department of Administration as well as reimbursing service providers for collecting the fee, modifying equipment for the service, and converting pay telephones to provide the 911 service. Funds are also distributed on a per capita basis to cities and counties within a 911 jurisdiction that have an approved final plan.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: GENERAL SERVICES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	47.75	46.00	46.00	0.00	46.00	46.00	0.00	-1.75
Personal Services	\$ 961,967	\$ 987,888	\$ 992,723	\$ 4,835	\$ 989,681	\$ 994,502	\$ 4,821	3.20
Operating Expenses	2,172,636	2,090,691	2,477,485	386,794	2,218,845	2,599,408	380,563	14.03
Equipment	8,635	5,150	5,150	0	0	0	0	-40.36
Non-Operating	148,390	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$3,291,628	\$3,083,729	\$3,475,358	\$391,629	\$3,208,526	\$3,593,910	\$385,384	5.58
FUNDING								
General Fund	\$ 380,336	\$ 362,991	\$ 353,281	\$ (9,710)	\$ 377,967	\$ 366,033	\$ (11,934)	-7.11
Proprietary Fund	2,911,292	2,720,738	3,122,077	401,339	2,830,559	3,227,877	397,318	7.24
TOTAL FUNDING	\$3,291,628	\$3,083,729	\$3,475,358	\$391,629	\$3,208,526	\$3,593,910	\$385,384	5.58

Program Description: The General Services Division provides maintenance and janitorial services and pays the utility bills for 36 buildings with a total of 1,173,198 square feet located primarily in the capitol complex.

Legislative Intent: Boilerplate language, included in House Bill 2, specifies the maximum rental rate each year of the biennium and the maximum cash the department may carry over at the end of the 1989 biennium.

Budget: The budget increases 5.6 percent from fiscal 1986 to fiscal 1988 due to increased personal services and increased utility costs. Personal services increase 3.2 percent in part because the Division experienced an actual vacancy savings rate exceeding 5 percent in fiscal 1986 and 4 percent vacancy savings was budgeted for the 1989 biennium.

Operating costs increase 14 percent due primarily to allowances for increased utility costs. The operating budget increases \$245,631 in fiscal 1988 and \$351,226 in fiscal 1989 for utility increases. Other increases over fiscal 1986 actual expenses include \$11,237 annually for increased insurance costs, \$17,971 annually for increased janitorial costs, \$24,142 annually for increased buildings and grounds maintenance costs and \$10,000 in fiscal 1989 only for paint.

Funding: The General Services Division is funded from several sources. General fund is appropriated to the division in lieu of charging agencies for the "common area" space in the Capitol Complex. This common area includes legislative space in the Capitol, museum space in the Historical Society, and the Governor's executive residence. The executive recommendation to set the common area allocation as 12 percent of the operating budget was adopted. This is down from 18 percent established by the 1985 legislature. The 12 percent common area rate is based on the actual amount of general fund spent compared to total funds spent in fiscal 1986 rather than on square footage. The general amount of appropriation decreases in the 1989 biennium because of this change in the manner of setting the general fund appropriation for the Division.

Another funding source paid to the General Services Division in lieu of charging agencies for services is \$58,801 each year from the capitol building account. These funds, grouped in the proprietary fund category on the main table, are used for capitol building maintenance. Both the general fund and the capitol building funds are paid directly to the division for operating costs rather than the division recovering these costs through the rental rate charged to agencies within the capitol complex.

A third funding source in the General Services Division is \$60,000 each year from direct reimbursement by state agencies for special projects, rather than routine maintenance. These funds are also grouped in the proprietary fund category on the main table. If special project costs are not incurred, the revenue will not be received.

The final funding source in the General Services Division is the rental rate assessed state agencies on the basis of square footage. The square footage rate is based on the operating costs of the division less the first three funding sources. The remaining operating costs are then divided by the occupied square footage in the capitol complex to determine the square footage rate. For the 1989 biennium, the square footage rate is calculated to be no more than \$2.97 in fiscal 1988 and \$3.08 in fiscal 1989. The amount to be recovered through rental charges is \$3,003,276 in fiscal 1988 and \$3,109,076 in fiscal 1989.

Difference From Executive: The executive budget includes \$5,689 and \$23,808 for increased janitorial contracts and \$20,609 each fiscal year for building and ground repairs, neither of which were approved by the legislature. The legislative approved budget includes \$4,072 each fiscal year for overtime benefits and insurance which were not included in the executive budget. The legislature also approved \$412,082 in fiscal 1988 and \$424,834 in fiscal 1989 to come from the general fund and capitol building fund in lieu of billing general fund operations, for the cost of maintenance of common area spaces. These supplemental transfers to the proprietary account and the related expenditure authority were not included in the executive budget.



BUDGET ITEM	AGENCY: DEPARTMENT OF ADMINISTRATION		LEGISLATIVE ACTION				PROGRAM: GENERAL SERVICES DIVISION-SECURITY PROGRAM			
	FY 1986		Fiscal 1988		Fiscal 1989		Fiscal 1989		FY 86-88	
	Actual		Executive	Legislature	Difference	Executive	Legislature	Difference	% Change	
FTE	2.00		2.00	2.00	0.00	2.00	2.00	0.00	0.00	
Personal Services	\$54,236		\$54,874	\$54,890	\$ 16	\$54,793	\$54,810	\$ 17	1.21	
Operating Expenses	122		2,439	153	(2,286)	2,436	153	(2,283)	25.41	
TOTAL EXPENSES	\$54,358		\$57,313	\$55,043	\$(2,270)	\$57,229	\$54,963	\$(2,266)	1.26	
GENERAL FUND										

Program Description: The Security Program provides security protection for the Governor.

Budget: The budget for the 1989 biennium maintains the same level of services provided to the Governor in fiscal 1986. Four percent vacancy savings is applied to the 2.0 FTE positions in the program.

Difference From Executive: The approved budget is lower in operating expenses than the executive budget by \$2,286 in fiscal 1988 and \$2,283 in fiscal 1989. The executive budget included these amounts in repairs for the surveillance system but they were not approved by the legislature.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: PURCHASING DIVISION - PURCHASING PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
			Difference		Difference	
FTE	16.25	15.00	-2.50	15.00	12.50	-3.75
Personal Services	\$409,059	\$374,696	\$(59,881)	\$374,247	\$314,475	-23.04
Operating Expenses	83,677	91,929	(2,802)	92,635	89,931	6.51
Equipment	2,082	0	0	0	0	-100.00
TOTAL EXPENSES	\$494,818	\$466,625	\$(62,683)	\$466,882	\$404,406	-18.37
GENERAL FUND	\$494,818	\$466,625	\$(62,683)	\$466,882	\$404,406	-18.37

Program Description: The Purchasing Division provides a centralized purchasing service for state agencies as required by statute. The Purchasing Program investigates possible sources for products, determines alternate product possibilities, prepares specifications, and enforces the terms and conditions outlined in purchase orders issued. The program ensures compliance with purchasing law and rule for agencies with delegated purchasing authority and provides technical assistance on agency purchases.

Legislative Intent: It is the intent of the legislature that the Purchasing Bureau delegate purchasing authority of \$2,000 to all state agencies. Currently 18 agencies do not use the delegated purchasing authority arrangement with the Purchasing Bureau.

Budget: The budget includes a 3.75 FTE reduction which reflects 1.25 FTE reduced by the agency for pay plan cuts, 1.5 FTE reduced due to vacancies, and 1.0 FTE reduced due to workload decreases. The FTE reduction accounts for the 23 percent personal services decrease from fiscal 1986 to fiscal 1988. Four percent vacancy savings was applied to the remaining positions in the program. Operating expenses are continued at the fiscal 1986 level with increases allowed for computer charges, computer maintenance, and rent.

Difference From Executive: The approved budget for personal services are \$59,217 and \$59,117 lower in fiscal 1988 and 1989 respectively, which reflects the 2.5 FTE reduction. Operating expenditures are lower by the following amounts in the approved budget: 1) \$460 per fiscal year to restore training credits in the base year; 2) \$953 per fiscal year for microfilming vendor records; 3) \$2,277 per fiscal year for increases in postage costs; and 4) \$684 per fiscal year for travel for on-site visits to state agencies. These operating expenditure reductions are partially offset by a \$1,485 increase per fiscal year in computer maintenance costs.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: PURCHASING DIVISION -  
PROPERTY AND SUPPLY BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	16.00	16.00	15.50	16.00	15.50	-0.50
Personal Services	\$ 343,848	\$ 365,031	\$ 355,301	\$ 364,974	\$ 355,265	\$ (9,709)
Operating Expenses	2,315,468	2,478,509	2,524,891	2,710,742	2,518,492	(192,250)
Equipment	85,469	0	0	0	0	0
TOTAL EXPENSES	\$2,744,785	\$2,843,540	\$2,880,192	\$3,075,716	\$2,873,757	\$(201,959)
PROPRIETARY FUND	\$2,744,785	\$2,843,540	\$2,880,192	\$3,075,716	\$2,873,757	\$(201,959)
						4.93

Program Description: The Property and Supply Bureau provides centralized purchasing and distribution of office and janitorial supplies for state agencies. The bureau is responsible for the Surplus Property Program which disposes of property no longer needed by state agencies.

Budget: The budget increases 4.9 percent total from fiscal 1986 to fiscal 1988. Personal services increase 3.3 percent while the FTE decrease 0.5 as the bureau experienced an actual 7 percent vacancy savings rate in fiscal 1986 while 4 percent vacancy savings was applied in the 1989 biennium. A 0.5 FTE computer operator was deleted due to a vacancy in the position for most of the 1987 biennium.

Operating expenses increase 9 percent to allow for growth in goods purchased for resale. The bureau has been experiencing rapid growth in the amount of goods purchased for resale as they have been adding items to their inventory categories. The budget allows for 10 percent growth in goods for resale between fiscal 1986 and the 1989 biennium.

Funding: The Property and Supply Bureau is funded from the charges assessed user agencies for the products purchased and an administrative fee. These charges and fees are intended to recover the costs of the product, all other bureau operating costs, such as shipping, and all administrative overhead. All revenue is deposited in a proprietary fund. In fiscal 1986, approximately 28 percent of the total revenue in this proprietary fund came from the general fund.



Difference From Executive: The executive budget is higher than the approved budget in personal services because:  
1) The legislature deleted 0.5 FTE, reducing the budget \$8,849 in fiscal 1988 and \$8,834 in fiscal 1989; 2) the executive budget included overtime of \$1,750 each year for auctions which the legislature did not approve; and 3) the executive budget did not include benefits for overtime which were added by the legislature at \$578 per fiscal year. Operating expenditure differences are in three areas: 1) Messenger service rate increases of \$1,140 and a telephone line for phone-in orders of \$1,068 per fiscal year are in the executive budget but were not approved by the legislature; 2) building rental for surplus at \$3,978 and \$3,963 in fiscal years 1988 and 1989 respectively were not approved by the legislature; and 3) goods for resale are \$51,092 over the executive budget and \$187,741 under the executive budget in fiscal years 1988 and 1989 respectively. The goods for resale differences reflect different growth factors applied.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: MAIL AND MANAGEMENT PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	9.25	11.25	9.25	-2.00	11.25	9.25	-2.00	0.00
Personal Services	\$174,953	\$ 194,672	\$ 167,914	\$ (26,758)	\$ 195,388	\$ 168,572	\$ (26,816)	-4.02
Operating Expenses	791,241	1,335,455	952,876	(382,579)	1,465,196	1,048,905	(416,291)	20.43
Equipment	3,254	6,420	6,420	0	6,195	6,195	0	97.30
Non-Operating	819	3,276	3,276	0	2,457	2,457	0	300.00
TOTAL EXPENSES	\$970,267	\$1,539,823	\$1,130,486	\$(409,337)	\$1,669,236	\$1,226,129	\$(443,107)	16.51
PROPRIETARY FUND	\$970,267	\$1,539,823	\$1,130,486	\$(409,337)	\$1,669,236	\$1,226,129	\$(443,107)	16.51

Program Description: The Mail and Management Program serves as the state's central mail operation. Both outgoing U.S. mail and inter-office mail are routed and delivered by this program for a majority of Helena-based agencies.

Budget: The budget provides for a 16.5 percent increase from fiscal 1986 to fiscal 1988, primarily caused by an anticipated 11 percent annual volume increase in the mail processed by this program. Higher equipment cash purchases in the 1989 biennium than the program spent in fiscal 1986 also contributes toward the overall expenditure increase. The equipment authorized was \$6,420 for a mail processor in fiscal 1988 and \$6,195 for an electronic scale in fiscal 1989.

Non-operating expenses increase 300 percent from fiscal 1986 to fiscal 1988 and include lease purchase payments for a mail processing machine acquired in fiscal 1986 on a lease purchase contract.

Funding: The Mail and Management Program receives its funding from four sources. Each state agency is assessed a fee for mail sorting and delivery based on its volume of mail in the base year. This is known as "deadhead" mail. The total deadhead revenue is estimated to be \$110,376 annually. The second revenue source is the overhead cost collected on postage for outgoing U.S. mail. In the 1989 biennium, the overhead rate will be 17.5 percent. Total overhead revenue is estimated to be \$160,050 in fiscal 1988 and \$177,255 in fiscal 1989. The third revenue source is a contract with the U.S. Postal Service for \$38,976 annually to cover the cost of normal operating hours of the Capitol post office and other services provided for the U.S. Post Office. The first three revenue sources are deposited to a proprietary fund from which all program costs are paid. The actual postage and shipping costs, the

fourth revenue source, are also recovered from the agencies and deposited to this proprietary fund. This revenue is estimated to generate \$821,084 in fiscal 1988 and \$899,522 in fiscal 1989. In fiscal 1986, 53 percent of the revenue deposited into this proprietary fund came from the general fund.

Difference From Executive: The approved budget includes \$3,552 per fiscal year in minor adjustments that were not in the executive budget. Administrative costs of \$13,283 were included in the executive budget but were not approved by the legislature. The executive budget included a modified for mail services to two agencies not currently on the system. This modified was for \$399,331 in fiscal 1989 and \$432,567 in fiscal 1989. The modified was not approved by the legislature.



AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: TREASURY CENTRAL SERVICES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	14.75	14.50	14.50	0.00	14.50	14.50	0.00	-0.25
Personal Services	\$373,003	\$386,670	\$386,850	\$ 180	\$386,693	\$386,896	\$203	3.71
Operating Expenses	58,434	60,779	62,016	1,237	52,279	52,279	0	6.13
Equipment	9,638	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$441,075	\$447,449	\$448,866	\$1,417	\$438,972	\$439,175	\$203	1.77
FUNDING								
General Fund	\$413,184	\$416,485	\$417,902	\$1,417	\$408,063	\$408,266	\$203	1.14
Proprietary Fund	27,891	30,964	30,964	0	30,909	30,909	0	11.02
TOTAL FUNDING	\$441,075	\$447,449	\$448,866	\$1,417	\$438,972	\$439,175	\$203	1.77

Program Description: The Treasury Central Services Division is divided into two functions. The central services function contains central budget and personnel functions for the department. The treasury function is the state's central bank. It receives and disburses funds and monitors the records of accounts for all approved commercial depositories throughout the state.

Budget: The budget increases 1.8 percent from fiscal 1986 to fiscal 1988. Full-time equivalent positions decrease 0.25 from fiscal 1986 to the 1989 biennium as the agency reduced an accounting technician from 0.75 to 0.50 FTE to help meet the pay plan cut in fiscal 1987. This reduction was continued into the 1989 biennium. Personal services increase while FTE decrease because the Division experienced an actual 5.6 percent vacancy savings rate in fiscal 1986 while 4 percent vacancy savings was applied in the 1989 biennium.

Funding: The Treasury Central Services Division is funded from the general fund and by an allocation from the Investment Division proprietary fund. The proprietary fund supports 1.0 FTE and operating expenses in the treasury function as this position deals with Board of Investment functions.

Difference From Executive: The major difference between the approved budget and the executive budget is the addition of the state-wide audit costs of \$698 in fiscal 1988. This was not included in the executive budget.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: TORT CLAIMS DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	8.50	8.50	8.50	0.00	8.50	8.50	0.00	0.00
Personal Services	\$ 238,404	\$ 265,935	\$ 266,025	\$ 90	\$ 265,571	\$ 265,662	\$ 91	11.59
Operating Expenses	738,287	1,336,629	1,192,058	(144,571)	1,324,543	1,179,805	(144,738)	61.46
Equipment	8,889	0	0	0	0	0	0	-100.00
Non-Operating	447,739	0	738,674	738,674	0	726,058	726,058	64.98
TOTAL EXPENSES	\$1,433,319	\$1,602,564	\$2,196,757	\$ 594,193	\$1,590,114	\$2,171,525	\$ 581,411	53.26
PROPRIETARY FUND	\$1,433,319	\$1,602,564	\$2,196,757	\$ 594,193	\$1,590,114	\$2,171,525	\$ 581,411	53.26

Program Description: The Tort Claims Division provides for the investigation, defense, and payment of bodily injury and property damage claims incurred by all agencies, officers and employees of the state of Montana under Article II, Section 18 of the Montana Constitution, and state statute. The division also assesses the fire, casualty, and bond risks of the state for all state-owned buildings, equipment, fixtures, boilers, aircraft, cash and securities, and provides either commercial or self-insurance protection for the financial loss of such property.

Legislative Intent: Boilerplate language was approved to allow the department to spend any available self-insurance reserves and revenues to pay any deficit that may be incurred for property and liability insurance premiums due and payable through June 30, 1989. This would be needed if the charges assessed to other state agencies were insufficient to cover the premiums.

Budget: Total expenses are anticipated to increase 53 percent between fiscal 1986 and fiscal 1988 for two reasons. First, non-operating costs, which are the transfer of funds from the self-insurance account to the operating account to pay for all operating costs except commercial insurance premiums, are budgeted to increase approximately 65 percent due to increased operating costs and because the agency used a large portion of the operating account fund balance in fiscal 1986. The operating account has a much smaller fund balance going into the 1989 biennium. Therefore, the transfer amount for operating costs increases.

The second reason total expenses increase is because operating expenses increase 61 percent. This large expenditure increase is caused by commercial insurance premiums going from \$373,251 in fiscal 1986 to \$719,409 in

each year of the 1989 biennium, a 93 percent increase. Operating expenses also increase between fiscal 1986 and the 1989 biennium due to the agency coding a \$98,433 operating expense in fiscal 1986 as a benefit and claim.

Personal services increase 11.6 percent primarily because the division experienced over 19 percent vacancy savings in fiscal 1986 and 4 percent vacancy savings was applied in the 1989 biennium .

Funding: The Tort Claims Division is funded from two sources. First, state agencies are assessed charges for insurance coverage which are intended to cover both commercial insurance premiums and the amount necessary for self-insurance. These charges are deposited into the state's self-insurance fund. The second revenue source is the interest earnings from the self-insurance fund. The interest earnings are used to pay for the administrative costs of the Tort Claims Division.

Difference From Executive: The executive budget includes \$144,375 per fiscal year for outside legal counsel which was not approved by the legislature. The approved budget includes the transfer authority of \$738,674 in fiscal 1988 and \$726,058 in fiscal 1989 which was not included in the executive budget.



AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: PERSONNEL DIVISION - PERSONNEL PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	29.50	27.75	27.50	-0.25	27.75	27.50	-0.25	-2.00
Personal Services	\$749,698	\$758,572	\$747,757	\$(10,815)	\$757,688	\$746,899	\$(10,789)	-0.26
Operating Expenses	129,241	129,999	123,996	(6,003)	131,108	125,141	(5,967)	-4.06
Equipment	10,979	350	0	(350)	350	0	(350)	-100.00
TOTAL EXPENSES	\$889,918	\$888,921	\$871,753	\$(17,168)	\$889,146	\$872,040	\$(17,106)	-2.04
FUNDING								
General Fund	\$889,010	\$888,921	\$871,753	\$(17,168)	\$889,146	\$872,040	\$(17,106)	-1.94
Proprietary Fund	908	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$889,918	\$888,921	\$871,753	\$(17,168)	\$889,146	\$872,040	\$(17,106)	-2.04

Program Description: The Personnel Program provides centralized personnel services to state agencies including classification, employee relations, labor relations, and development of personnel policy.

Budget: FTE are reduced 2.0 from fiscal 1986 to the 1989 biennium. The reductions occur due to division reorganization, fiscal 1987 cuts, and moving 0.5 FTE of the state labor relations chief position from the Personnel Program to the Employee Benefits Program as intended by the 1985 legislature.

Operating expenses decrease 4 percent from fiscal 1986 to fiscal 1988 as \$3,000 was allowed in fiscal 1988 for legal review of personnel policy drafts, forms layout and design services of the professional development center, and a classification consultant. In fiscal 1986, approximately \$12,500 was spent for these purposes. Contracted secretarial services was also reduced by \$1,100. Increases were provided for computer processing charges, printing classification manuals, photocopy expense, insurance, and mail.

No equipment was authorized in the 1989 biennium.

Funding: The Personnel Program is funded from the general fund.

Difference From Executive: The approved budget is lower than the executive budget in four areas. 1) The executive budget funds a 0.25 FTE labor relations chief position from this program while the approved budget funds it from the Employee Benefits Program. 2) The executive budget included \$2,500 per year for a student internship from MSU Masters of Public Administration program which was not approved. 3) The executive budget also included \$1,000 per year for secretarial services to type transcriptions for classification hearings which was also not approved. 4) \$1,944 was included in the executive budget for classification reviews which was not approved.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: PERSONNEL DIVISION -  
EMPLOYEE BENEFITS PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	5.50	6.25	6.50	0.25	6.25	6.50	0.25	1.00
Personal Services	\$135,821	\$161,247	\$171,940	\$10,693	\$161,184	\$171,866	\$10,682	26.59
Operating Expenses	80,245	132,962	127,338	(5,624)	136,933	128,910	(8,023)	58.69
Equipment	6,077	900	541	(359)	0	0	0	-91.10
TOTAL EXPENSES	\$222,143	\$295,109	\$299,819	\$ 4,710	\$298,117	\$300,776	\$ 2,659	34.97
FUNDING								
General Fund	\$ 30,515	\$ 32,000	\$ 31,530	\$ (470)	\$ 35,000	\$ 34,030	\$ (970)	3.35
Proprietary Fund	191,628	263,109	268,289	5,180	263,117	266,746	3,629	40.01
TOTAL FUNDING	\$222,143	\$295,109	\$299,819	\$ 4,710	\$298,117	\$300,776	\$ 2,659	34.97

Program Description: The Employee Benefits Program is responsible for administration of the state's health insurance and employee benefits program.

Budget: The budget for the Employee Benefits Program increases 35 percent from fiscal 1986 to fiscal 1988 due to personal services changes and operating cost increases.

Personal services increase 26.6 percent from fiscal 1986 to fiscal 1988 as 0.5 FTE was added in the 1989 biennium for one-half of the state labor relations chief position and a division transfer of a 0.5 FTE administrative officer was approved in the 1989 biennium which was not included in this program in fiscal 1986. These changes added approximately \$36,000 to the personal services costs between fiscal 1986 and fiscal 1988.

Operating expenses increase significantly over fiscal 1986 actual expenditures as \$20,000 annually for increased health promotion activities and \$4,650 annually for increased printing and computer costs related to federal legislation was added. In addition, approximately \$24,000 is included each year for an annual audit of employee benefit claims as required by statute.



Funding for the voluntary statewide genetics program was line-itemed at \$11,804 each year. This represents the estimated state share of the program which is based on 45 cents for each Montana resident insured under the state group insurance plan.

A microfiche reader and table is authorized for purchase in fiscal 1988. No equipment is authorized for fiscal 1989.

**Funding:** The Employee Benefits Program is funded from investment earnings of the self-insurance fund and from the general fund. The general fund is used to fund 1.0 FTE related to compensation and the biennial salary survey.

Difference From Executive: The difference between the approved budget and the executive budget are in six areas.

1) The budget includes a 0.25 FTE labor relations chief position for \$10,600 each fiscal year that the executive budget includes in the Personnel Program. 2) Health promotion activities are \$2,934 and \$4,934 lower for fiscal years 1988 and 1989 than in the executive budget. 3) Audit costs in fiscal 1988 were \$893 higher in the executive budget. 4) A recommendation for \$500 in supplies in fiscal 1989 for a salary survey was not approved. 5) The executive budget included \$1,000 per year for postage increases that was not approved. 6) The executive budget also included \$600 per fiscal year for staff training costs that was not approved.

## PROGRAM: PERSONNEL DIVISION - TRAINING PROGRAM

BUDGET ITEM	FY 1986			Fiscal 1988			Fiscal 1989			FY 86-88	
	Actual	Executive	Legislature	Difference	Executive	Legislature	Difference	% Change			
FTE	3.00	3.00	3.00	0.00	3.00	3.00	0.00	0.00			
Personal Services	\$ 92,534	\$ 91,282	\$ 91,321	\$ 39	\$ 91,328	\$ 91,374	\$ 46	-1.31			
Operating Expenses	63,337	61,610	54,284	(7,326)	62,038	53,938	(8,100)	-14.29			
Equipment	4,712	200	200	0	200	200	0	-95.76			
Non-Operating	30,565	30,646	34,572	3,926	30,646	34,544	3,898	13.11			
TOTAL EXPENSES	\$191,148	\$183,738	\$180,377	(\$3,361)	\$184,212	\$180,056	(\$4,156)	-5.63			
FUNDING											
General Fund	\$ 30,647	\$ 30,646	\$ 34,572	\$ 3,926	\$ 30,646	\$ 34,544	\$ 3,898	12.81			
Proprietary Fund	160,501	153,092	145,805	(7,287)	153,566	145,512	(8,054)	-9.16			
TOTAL FUNDING	\$191,148	\$183,738	\$180,377	(\$3,361)	\$184,212	\$180,056	(\$4,156)	-5.63			

**Program Description:** The Training Program provides central coordination for general training activities throughout state government.

Budget: The budget results in a 23.7 percent reduction from fiscal 1986 to fiscal 1988 because 4 percent vacancy savings was applied in fiscal 1988 and none was experienced in fiscal 1986 and because operating expenses were reduced approximately \$9,300 annually. Operating expense reductions occurred in contracted training (\$6,550), printing supplies (\$1,086), and meeting room rent (\$1,703).

Two hundred dollars annually is authorized for software purchases.

Non-operating expenses represent the transfer of the general fund appropriation into the proprietary fund. This is done to meet generally accepted accounting principles.

Funding: The Training Program is funded from fees for state-sponsored training classes and general fund. The general fund is used to support 1.0 FTE for the management training program.

Difference From Executive: The approved budget differs from the executive budget in four areas: 1) the executive budget includes \$6,120 per fiscal year for specialized training which was not approved by the legislature; 2) travel at \$957 in fiscal 1988 and \$2,007 in fiscal 1989 was included in the executive budget but was not approved; 3) other expenses of \$400 for staff training was included in the executive budget but was not approved; and 4) the non-operating expenditure, which is the transfer expenditure to move general fund to the proprietary fund, was approved at \$3,926 and \$3,898 higher than in the executive budget in fiscal years 1988 and 1989 respectively.



AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: WORKERS' COMPENSATION JUDGE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	9.00	8.00	8.00	0.00	8.00	8.00	0.00	-1.00
Personal Services	\$227,542	\$224,559	\$224,152	\$ (407)	\$224,359	\$223,949	\$ (410)	-1.49
Operating Expenses	50,314	119,713	82,209	(37,504)	110,767	73,230	(37,537)	63.39
Equipment	34,112	800	0	(800)	800	0	(800)	-100.00
TOTAL EXPENSES	\$311,968	\$345,072	\$306,361	\$138,711	\$335,926	\$297,179	\$138,747	-1.80
STATE SPECIAL REVENUE	\$311,968	\$345,072	\$306,361	\$138,711	\$335,926	\$297,179	\$138,747	-1.80

Program Description: The Workers' Compensation Judge adjudicates disputed compensation claims among workers, insurance carriers, and employers.

Budget: The budget provides for a 1.8 percent decrease in total operating costs from fiscal 1986 to fiscal 1988. One FTE is eliminated in the 1989 biennium as part of the agency's cutbacks for the pay plan cut in fiscal 1987.

Contingency funds of \$19,500 each year for office rental and \$8,155 in fiscal 1988 only for moving costs were approved in the event the office is forced to move from its present location. These costs are line-itemed.

Operating costs were also increased \$2,360 each year for court reporting services obtained on contract. The fiscal 1986 expenditure reflected 10 months expenditure. Office equipment maintenance expenses were increased \$2,162 each year.

No equipment was authorized for purchase in the 1989 biennium.

Funding: The Workers' Compensation Judge is funded from the workers' compensation state special revenue fund which receives workers' compensation insurance premiums.

Difference From Executive: The approved budget was lower due to non-approval of several executive recommendations in the following areas: 1) \$10,950 per fiscal year for court reporters; 2) \$8,571 per year for hearings examiners; 3) increased office and photo copy supplies at \$1,761 per year; 4) increased long distance calls of \$3,824 per year; 5) travel cost increases of \$8,534 per year; 6) increased rental for meeting rooms of \$2,721; and 7) increased costs for registration fees at the judicial college of \$604 per year.

AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: STATE TAX APPEAL BOARD

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
			Difference		Difference	
FTE	5.50	6.00	5.50	-0.50	5.50	0.00
Personal Services	\$212,434	\$266,001	\$266,568	\$ 567	\$237,167	\$ 843
Operating Expenses	102,288	244,645	306,054	61,409	150,828	(347)
Equipment	5,616	1,896	1,400	(496)	0	(496)
TOTAL EXPENSES	\$320,338	\$512,542	\$574,022	\$61,480	\$387,995	\$ 0
GENERAL FUND	\$320,338	\$512,542	\$574,022	\$61,480	\$387,995	\$ 0
						79.19

Program Description: The State Tax Appeals Board hears appeals resulting from decisions of county appeals boards and from taxation decisions of the Department of Revenue. Included in the board's authority are property taxes, corporate license taxes, income taxes, and liquor taxes. In addition to funding state board operations, the budget includes salaries and travel expenses for the county tax appeal boards.

Legislative Intent: A line itemed, biennial appropriation is included in fiscal 1988 for the manual disparity issue. It is the intent of the legislature that these funds be used for expenses directly related to this purpose only. There is also a line itemed appropriation to allow the board to contract for hearings officers which satisfies the provisions of Senate Bill 122.

Budget: The budget increases 79 percent from fiscal 1986 to fiscal 1988 due primarily to the budget modification which adds \$164,627 over base expenditures for county expenses in fiscal 1988 due to workload increases. In fiscal 1989, \$75,313 is added for this purpose. In addition, \$61,480 is added as a biennium appropriation to satisfy the provisions of Senate Bill 122, which authorizes the state tax appeal board to contract and use hearings officers when the caseload warrants it.

The budget modification also includes \$33,750 in fiscal 1988 as a biennial, line itemed appropriation for expenses related to the possible settlement of the "34 percent" or manual disparity issue.

Modifieds Approved: Funding for anticipated workload increases was approved for the 1989 biennium. This totaled \$164,627 in fiscal 1988 and \$75,313 in fiscal 1989. Also approved was \$33,750 in fiscal 1988 as a biennial, line itemed

appropriation for expenses related to settling the "34 percent" or manual disparity issue. Both modifications are funded from the general fund.

Difference From Executive: The major difference between the approved budget and the executive budget is the approval of \$61,480 in fiscal 1988 to be added for a hearings officer to satisfy provisions of Senate Bill 122.



AGENCY: DEPARTMENT OF ADMINISTRATION

LEGISLATIVE ACTION

PROGRAM: PUBLIC EMPLOYEES' RETIREMENT DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	22.50	19.60	19.60	0.00	17.60	19.60	2.00	-2.90
Personal Services	\$486,508	\$471,881	\$471,783	\$ (98)	\$423,149	\$471,718	\$48,569	-3.03
Operating Expenses	303,597	345,966	297,310	(48,656)	238,366	241,575	3,209	-2.07
Equipment	23,153	1,395	1,395	0	1,481	1,481	0	-93.97
TOTAL EXPENSES	\$813,258	\$819,242	\$770,488	\$ (48,754)	\$662,996	\$714,774	\$51,778	-5.26
PENSION TRUST FUND	\$813,258	\$819,242	\$770,488	\$ (48,754)	\$662,996	\$714,774	\$51,778	-5.26

Program Description: The Public Employees' Retirement Division is administratively attached to the Department of Administration. It administers the retirement systems for the members and their beneficiaries of eight retirement systems.

Budget: The budget decreases 5 percent from fiscal 1986 to fiscal 1988 due to the agency deleting 2.0 FTE related to the social security function formerly operated by the division. The agency also deleted 0.9 FTE in response to the five percent and pay plan cuts in fiscal 1987. This reduction is continued into the 1989 biennium.

Operating expenses decrease between fiscal 1988 and fiscal 1989 due to \$32,221 audit costs included in fiscal 1988 only, approximately \$8,000 for further reductions in the social security program, and \$6,500 for decreased printing costs.

Funding: The Public Employees Retirement Division is funded by investment earnings from the retirement fund.

Difference From Executive: The approved budget is lower than the executive budget in fiscal 1988 because the executive budget included a modified for the division to rewrite their computer accounting systems for \$50,000 which was not approved. The approved budget is higher than the executive budget in fiscal 1989 because the executive recommended a cut of 2.0 additional FTE for the Social Security Program amounting to \$48,732 which was not approved by the legislature.

LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF ADMINISTRATION

PROGRAM: TEACHERS' RETIREMENT SYSTEM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	11.00	10.40	10.40	10.40	10.40	-0.60
Personal Services	\$222,939	\$229,961	\$229,961	\$229,899	\$229,899	3.15
Operating Expenses	131,814	194,431	191,772	174,126	167,194	45.49
Equipment	1,389	2,077	0	0	0	-100.00
TOTAL EXPENSES	\$356,142	\$426,469	\$421,733	\$404,025	\$397,093	18.42
PENSION TRUST FUND	\$356,142	\$426,469	\$421,733	\$404,025	\$397,093	18.42

Program Description: The Teachers' Retirement System provides retirement, disability and survivor benefits for the state teachers and their beneficiaries. The Teachers' Retirement Board, comprised of six members is responsible for the administration of the system. The program is regulated by Title 19, Chapter 4, MCA. The Teachers' Retirement System is administratively attached to the Department of Administration.

Budget: The budget increases 18 percent in total operating expenses caused primarily by increased computer processing charges for the system's new computer system and biennial audit and actuary costs being included in fiscal 1988.

No equipment was authorized for the 1989 biennium.

Funding: The Teachers' Retirement System is funded from the investment earnings of the system.

Difference From Executive: The approved budget is lower than the executive budget to the following operating expenses being included in the executive budget but not approved by the legislature: 1) one court case per year at \$500; 2) staff training at \$955 per fiscal year; 3) microfilming records at \$2,643 in fiscal 1988 and \$2,960 in fiscal 1989; 4) printing the Teachers' Retirement System handbook and financial report in fiscal 1989 at \$4,420; 5) repairs to the building and grounds of \$2,000 per year; and 6) maintenance contracts for word processors and terminals at \$569 per fiscal year. These are partially offset by higher inflation in the approved budget of approximately \$3,000 in fiscal 1988 and \$4,700 in fiscal 1989. The equipment budget recommended by the executive was not approved.

AGENCY: DEPARTMENT OF HIGHWAYS

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	2005.50	1869.64	1920.74	51.10	1863.64	1931.14	67.50	-84.76
Personal Services	\$ 52,946,819	\$ 52,945,994	\$ 54,081,326	\$ 1,135,332	\$ 52,949,994	\$ 54,407,830	\$ 1,457,836	2.14
Operating Expenses	220,913,373	152,918,455	173,588,888	20,670,433	145,779,812	177,252,572	31,472,760	-21.42
Equipment	7,503,385	6,397,413	6,422,413	25,000	6,145,081	6,120,081	(25,000)	-14.41
Non-Operating	33,561,218	21,986,870	7,532,982	(14,453,888)	20,124,412	4,393,482	(15,730,930)	-77.55
TOTAL EXPENSES	\$314,924,795	\$234,248,732	\$241,625,609	\$ 7,376,877	\$224,999,299	\$242,173,965	\$ 17,174,666	-23.28
FUNDING								
State Special Revenue	\$169,387,126	\$123,539,273	\$129,229,829	\$ 5,690,556	\$113,712,062	\$130,407,443	\$ 16,695,381	-23.71
Federal Revenue	129,073,261	94,258,614	95,897,753	1,639,139	94,799,079	95,300,954	501,875	-25.70
Other Revenue	16,464,408	16,450,845	16,498,027	47,182	16,488,158	16,465,568	(22,590)	0.20
TOTAL FUNDING	\$314,924,795	\$234,248,732	\$241,625,609	\$ 7,376,877	\$224,999,299	\$242,173,965	\$ 17,174,666	-23.28

Program Description: The Montana Department of Highways is responsible for designing, constructing, maintaining, and regulating Montana's roads. To accomplish its task, the department is organized into a number of programs. These programs are: preconstruction, responsible for planning roads up to the time projects are let; construction, responsible for letting and inspecting projects; maintenance, responsible for maintaining roads; equipment, responsible for supplying equipment needs of the department; gross vehicle weight, responsible for protecting the highways; general operations, responsible for supporting other programs; service revolving, an internal group of bureaus such as printing which provides support to other programs; and the motor pool, responsible for providing vehicles to state agencies in Helena.

Legislative Intent: The following language was approved to be included in the general appropriations bill:

The Legislature anticipates that the Maintenance Division will receive, by budget amendment for each fiscal year of the 1989 biennium, spending authority for any funds in excess of \$292,840 each fiscal year that it collects from damage situations.



The Legislature anticipates the Equipment Program will receive, by budget amendment, spending authority from the proprietary fund account if gasoline costs exceed \$1,519,802 in fiscal year 1988 and \$1,571,409 in fiscal 1989 due to increases in gasoline prices greater than a 1 percent increase per gallon from fiscal 1986 to fiscal 1988 and 4.4 percent increase per gallon from fiscal 1986 to fiscal 1989.

The Legislature anticipates the Motor Pool will receive, by budget amendment, spending authority from the proprietary fund account if gasoline costs exceed \$131,684 in fiscal year 1988 and \$136,169 in fiscal 1989 due to increases in gasoline prices greater than a 1 percent increase per gallon from fiscal 1986 to fiscal 1988 and 4.4 percent increase per gallon from fiscal 1986 to fiscal 1989.

In the event additional federal highway funds become available, additional spending authority and additional FTE may be requested through budget amendment.

Funding may be transferred among all programs, including stores inventory, to reflect personal services expenditures.

The department is appropriated \$15,023,916 in fiscal 1988 and \$26,476,461 in fiscal 1989 for a cash transfer from the highway special revenue accounts to the highway reconstruction trust account.

The Department of Highways is directed to submit to the 1989 Legislature a construction work plan for the 1991 biennium that is detailed by year and project. This work plan must specify, by road system or project area, proposed projects on which \$1 million or more would be spent during the 1991 biennium and an aggregate cost for projects with anticipated expenditures of less than \$1 million. Costs must be detailed by year and project.

The internal service program may request a budget amendment for \$210,000 in fiscal 1988 or fiscal 1989 to overhaul the department's airplane.

The department may adjust appropriations in the construction and preconstruction programs between fiscal years and funding sources to reflect actual expenditures related to the projected work plan.

Budget: The department's budget decreases 23.3 percent from fiscal 1986 to fiscal 1988. The reduction in operating expenses is in contractor payments in the Construction Program which decreases \$69,441,567 from fiscal 1986 to fiscal 1988 and decreases an additional \$6,895,940 to fiscal 1989. The modifieds approved increase the budget by \$23,613,115 in fiscal 1988 and \$33,857,696 in fiscal 1989. Non-operating expenses show a decrease of 77.6 percent primarily in the Capital Outlay Program. Debt service payments of \$14,773,285 and transfers of \$13,336,604 which were in fiscal 1986 and are not included in fiscal 1988. The debt service payments are statutorially appropriated and, therefore, do not need to be included in the general appropriations act. The transfers are the movement of funds between the highway state special revenue account and the reconstruction trust account. The department's intent was to discontinue the reconstruction trust unless additional revenues became available; therefore, the current level did not include the fund transfers.

Funding: State special funds include bond proceeds, highway state special revenue funds and reconstruction trust funds. The proprietary funds include the motor pool account, the equipment account and the service revolving account.

Table 1 shows a cash flow analyses of the combined highway state special revenue and reconstruction trust accounts. This table includes the additional fuel taxes which will be generated by House Bill 136, revenues from bond sales, and the recommended modified budgets for the Construction and Preconstruction Programs.

Table 1  
Combined Highway Special Revenue and Reconstruction Trust Accounts  
Fiscal Year 1987 through 1989

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Beginning Balance	\$ 44,640,643	\$130,665,090	\$111,073,849
Revenues:			
Gasoline Tax	65,146,091	77,000,871	75,516,353
Diesel Tax	17,964,241	20,724,956	20,297,857
GVW Tax	22,702,588	23,061,100	22,899,500
Stores	12,643,971	13,632,007	13,767,451
Coal Tax	5,883,700	7,751,637	8,133,812
Other	1,497,631	1,014,755	1,014,755
Bond Proceeds	100,000,000	-0-	-0-
Total Funds Available	\$270,478,865	\$273,850,416	\$252,703,577
Disbursements:			
Department of Highways - Current Level	\$106,219,009	\$103,840,534	\$ 98,072,325
Department of Highways - Modified	-0-	22,046,030	33,096,118
Bond Principal and Interest	9,088,505	12,221,525	12,227,881
Local Governments	14,000,000	14,000,000	14,000,000
Department of Justice	9,283,571	9,718,961	9,803,802
Department of Commerce	71,250	71,250	71,250
Highway Traffic Safety	68,194	72,000	72,000
Department of Revenue	753,879	806,267	788,714
Adjustments	329,367	-0-	-0-
Total Disbursement & Adjustments	\$139,813,775	\$162,776,567	\$168,132,090
ENDING BALANCE	<u>\$130,665,090</u>	<u>\$111,073,849</u>	<u>\$ 84,571,487</u>

Other Legislation:

1. House Bill 136 - was passed which increased gasoline and diesel fuel taxes from 17 cents per gallon to 20 cents per gallon effective July 1, 1987. This tax increase is anticipated to increase revenues approximately \$15 million per year. This increased tax revenue will provide funding for reconstruction of the primary road system in Montana and will be the major source of funding for the approved modified budgets in the Construction and Pre-construction Programs.



AGENCY: DEPARTMENT OF HIGHWAYS

LEGISLATIVE ACTION

PROGRAM: CONSTRUCTION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	650.40	571.00	600.60	29.60	565.00	611.00	46.00	-49.80
Personal Services	\$ 16,707,708	\$ 16,097,010	\$ 16,712,914	\$ 615,904	\$ 16,017,129	\$ 16,955,797	\$ 938,668	0.03
Operating Expenses	174,969,208	106,742,338	127,096,549	20,354,211	99,367,474	130,754,581	31,387,107	-27.36
Equipment	249,638	174,866	174,866	0	174,931	174,931	0	-29.95
TOTAL EXPENSES	\$191,926,554	\$123,014,214	\$143,984,329	\$20,970,115	\$115,559,534	\$147,885,309	\$32,325,775	-24.98
FUNDING								
State Special Revenue	\$ 71,731,986	\$ 37,633,808	\$ 58,742,869	\$21,109,061	\$ 28,508,537	\$ 61,094,015	\$32,585,478	-18.11
Federal Revenue	120,194,568	85,380,406	85,241,460	\$138,9461	87,050,997	86,791,294	\$1259,7031	-29.08
TOTAL FUNDING	\$191,926,554	\$123,014,214	\$143,984,329	\$20,970,115	\$115,559,534	\$147,885,309	\$32,325,775	-24.98

Program Description: The Construction Program is responsible for assuring that roads and bridges are constructed or reconstructed to meet the needs of Montana's citizens. The reconstruction and construction work is done by private contractors on a bid basis. Personnel in the program are responsible for monitoring the work of the private contractors. Personnel working in the Construction Program are located at 11 construction sections and at the department's headquarters in Helena.

Budget: There was an 84.40 FTE reduction made by the department due to completion of a number of large interstate projects and budget reductions resulting from the 5 percent cutback and reduction in fiscal 1987 pay plan. Five FTE were transferred to the Construction Program from the Service Revolving Program. The modified approved adds 29.60 FTE in fiscal 1988 and 46.00 FTE in fiscal 1989. Vacancy savings of 4 percent was applied. Contractor payments for interstate system work reflect the major reason for the reduction in major contracts which decrease \$69,441,567 from fiscal 1986 to fiscal 1988 and a further decrease of \$6,896,940 from fiscal 1988 to fiscal 1989. Utilities relocation increases \$643,337 and laboratory testing expense increases \$318,500 from fiscal 1986 to fiscal 1988. Equipment decreased approximately \$74,772 from fiscal years 1986 to 1988.

Modifieds Approved:

1. Construction - There were 29.60 FTE with a personal service cost of \$615,904 and 46.0 FTE with a personal service cost of \$938,638, operating costs primarily in contractor payments of \$20,536,311 and \$31,723,070 approved for fiscal years 1988 and 1989. This approved modified is to continue the reconstruction of the primary road systems in Montana. The totals by fiscal year for this modified are \$21,152,215 and \$32,661,738. Funding is from the highway state special revenue account.

Funding: State special revenue is bond proceeds of \$4,100,000 in fiscal 1988 only, highway state special revenue funds are \$47,626,930 and \$58,147,247 in fiscal 1988 and 1989, and reconstruction trust fund is \$7,015,939 and \$2,946,768 in fiscal 1988 and 1989. Federal funds are from the Highway Surface Transportation Act funds.

Difference From Executive: The legislative approved budget is approximately \$21 million higher than the executive budget in fiscal 1988 and \$32 million higher in fiscal 1989. This difference is primarily due to the modified budget which reflects the increased construction budget resulting from the increased fuels taxes approved in House Bill 136. Operating expense reductions made by the legislature included storage fees of \$168,053 in fiscal 1988 and \$252,326 in fiscal 1989, and laboratory fees of \$14,047 in fiscal 1988 and \$83,637 in fiscal 1989.

AGENCY: DEPARTMENT OF HIGHWAYS

LEGISLATIVE ACTION

PROGRAM: GENERAL OPERATIONS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	142.53	142.18	142.18	0.00	142.18	142.18	0.00	-0.35
Personal Services	\$3,562,577	\$3,709,929	\$3,709,929	\$ 0	\$3,711,571	\$3,711,571	\$0	4.14
Operating Expenses	2,439,248	2,675,092	2,679,357	4,265	2,624,451	2,624,451	0	9.84
Equipment	471,770	300,910	300,910	0	128,875	128,875	0	-36.22
Non-Operating	301,693	299,693	299,693	0	299,693	299,693	0	-0.66
TOTAL EXPENSES	\$6,775,288	\$6,985,624	\$6,989,889	\$4,265	\$6,764,590	\$6,764,590	\$0	3.17
FUNDING								
State Special Revenue	\$4,643,234	\$5,378,930	\$5,383,195	\$4,265	\$5,208,734	\$5,208,734	\$0	15.94
Federal Revenue	2,132,054	1,606,694	1,606,694	0	1,555,856	1,555,856	0	-24.64
TOTAL FUNDING	\$6,775,288	\$6,985,624	\$6,989,889	\$4,265	\$6,764,590	\$6,764,590	\$0	3.17

Program Description: The General Operations Program provides support services for all other programs of the department. Services such as personnel, accounting, planning, research, and general administration are functions of this program.

Budget: Personal services increase \$147,352 primarily due to the pay increase from fiscal 1986 to fiscal 1987. Fiscal 1987 pay matrices are the basis for the 1989 biennium personal services. Vacancy savings was set at 4 percent. Contract services increase \$76,478 over fiscal 1986 primarily in the area of minority business enterprise training, local comprehensive transportation plan, and Rural Transportation Assistance Program. Insurance increases \$164,634 for general liability. Audit fees increase \$28,052 from fiscal 1986 to fiscal 1988 for a total cost to fiscal year 1988 of \$61,865. Computer processing costs decrease \$22,401 from fiscal 1986 to fiscal 1988.

Funding: The state special revenue of \$5,383,195 and \$5,208,734 is from the highway state special revenue account. Federal funds are from Federal Highway Surface Transportation Act funds and the Federal Minority and Disadvantaged Business Enterprise funds.

Difference From Executive: The only difference between the legislature and the executive budget is the inclusion of the state-wide audit costs of \$4,265 in fiscal 1988 that were not included in the executive budget.



AGENCY: DEPARTMENT OF HIGHWAYS

LEGISLATIVE ACTION

PROGRAM: PRECONSTRUCTION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	243.00	212.00	232.00	20.00	212.00	232.00	20.00	-11.00
Personal Services	\$ 6,491,206	\$ 6,257,282	\$ 6,733,303	\$ 476,021	\$ 6,257,793	\$ 6,733,429	\$ 475,636	3.73
Operating Expenses	1,783,894	1,840,621	1,969,850	129,229	1,794,669	1,928,491	133,822	10.42
Equipment	1,132,527	425,458	425,458	0	394,500	394,500	0	-62.43
Non-Operating	2,080,970	3,313,950	5,169,600	1,855,650	1,668,600	2,255,100	586,500	148.42
TOTAL EXPENSES	\$11,488,597	\$11,837,311	\$14,298,211	\$2,460,900	\$10,115,562	\$11,311,520	\$1,195,958	24.46
FUNDING								
State Special Revenue	\$ 4,797,903	\$ 4,565,797	\$ 5,459,612	\$ 893,815	\$ 3,923,336	\$ 4,357,716	\$ 434,380	13.79
Federal Revenue	6,690,694	7,271,514	8,838,599	1,567,085	6,192,226	6,953,804	761,578	32.10
TOTAL FUNDING	\$11,488,597	\$11,837,311	\$14,298,211	\$2,460,900	\$10,115,562	\$11,311,520	\$1,195,958	

Program Description: The Preconstruction Program is responsible for completing all the activities relating to projects up to the time projects are let. These activities include designing projects, conducting public hearings, right-of-way purchases, and actual letting of projects.

Budget: Thirty-one FTE were deleted by the department due to the implementation of the Computer Aided Design and Drafting System (CADD) and the budget reductions from Special Session III. The approved modified adds 20.0 FTE each fiscal year. Vacancy savings at 4 percent was applied. Contracts for appraisers were increased by \$50,000 each fiscal year in the right-of-way bureau, maintenance contracts for CADD were increased \$18,788 to fiscal 1988 and then decreased \$5,895 from fiscal 1988 to fiscal 1989. Legal fees increased \$12,120. Training for employees increased \$12,471 to fiscal 1988 and an additional \$4,415 to fiscal 1989. Right-of-way travel decreased \$16,472 to fiscal 1988 and an additional \$30,000 from fiscal 1988 to fiscal 1989. A one-time expenditure of \$20,000 in other expenses was deleted. Equipment budgeted decreased 62.43 percent because fiscal 1986 reflected the purchase of the CADD system of approximately \$1.08 million in fiscal 1986. The fiscal 1988 budget contains \$400,000 to expand the CADD system of there is an additional \$369,500 in fiscal 1989 for the same purpose. The non-operating budget reflects the purchase of right-of-ways for the 1989 biennium.

Modifieds Approved:

1. Preconstruction - There were 20.0 FTE with a personal services cost of \$476,021 in fiscal 1988 and \$475,636 in fiscal 1989, operating costs of \$129,229 and \$133,822 and land costs of \$1,855,650 and \$586,500 approved for fiscal 1988 and 1989. This modified is a companion to the approved modified in the Construction Program which is for the primary road system. Funding is from three sources. Highway state special funds are \$843,815 and \$410,080, reconstruction trust funds are \$50,000 and \$24,300 and federal funds are \$1,567,085 and \$761,578 and for fiscal 1988 and 1989. Total costs of the modified are \$2,460,900 in fiscal 1988 and \$1,195,958 in fiscal 1989.

Funding: State special revenue is the highway state special revenue fund of \$5,169,612 in fiscal 1988 and \$4,125,416 in fiscal 1989 and the reconstruction trust fund of \$290,000 in fiscal 1988 and \$232,300 in fiscal 1989.

Difference From Executive: The only difference between the legislative approved budget and the executive budget is the approved modified budget.

AGENCY: DEPARTMENT OF HIGHWAYS

LEGISLATIVE ACTION

PROGRAM: SERVICE REVOLVING

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	73.25	68.25	67.75	-0.50	68.25	67.75	-0.50	-5.50
Personal Services	\$1,850,608	\$1,855,757	\$1,848,197	\$ (7,560)	\$1,856,268	\$1,848,717	\$ (7,551)	-0.13
Operating Expenses	1,025,651	1,042,775	1,021,550	(21,225)	1,048,834	1,007,712	(41,122)	-0.40
Equipment	57,063	33,276	33,276	0	26,286	26,286	0	-41.69
TOTAL EXPENSES	\$2,933,322	\$2,931,808	\$2,903,023	\$ (28,785)	\$2,931,388	\$2,882,715	\$ (48,673)	-1.03
PROPRIETARY FUND	\$2,933,322	\$2,931,808	\$2,903,023	\$ (28,785)	\$2,931,388	\$2,882,715	\$ (48,673)	-1.03

Program Description: The Service Revolving Program primarily consists of the aircraft units, printing units, photo unit, materials bureau and administration, data processing entry and systems programming bureau, and the van pool.

Budget: Five FTE were transferred to the Construction Program by the department in fiscal 1986. A 1.0 FTE laboratory aide was reduced by 0.5 FTE because the position is utilized as a temporary position and filled only in the summer months. Personal services costs remain approximately the same and reflect the decreased FTE offset by the approximately 3.6 percent employee salary increase from 1986 to the fiscal 1987 which was the basis of the 1989 biennium personal services budget. Vacancy savings of 4 percent was taken. Insurance increases \$5,632 each fiscal year. Repairs for the aerial camera increase \$3,873 for fiscal 1988 and an additional \$2,000 for fiscal 1989. Expenditures decrease by a net \$17,832 in fiscal 1988 and an additional net decrease of \$16,517 in fiscal 1989 because Department of Administration computer processing costs are decreasing. The major equipment items are four nuclear testing devices at \$17,200 each year and software programs at \$7,500 in fiscal 1988 and \$7,000 in fiscal 1989.

Funding: Funding for this program is from the internal service proprietary fund account. Revenues are generated from charging other programs within the department for the services provided by the program.

Difference From Executive: The legislative approved budget is lower than the executive budget in personal services due to reduction of a laboratory technician position from 1.0 FTE to 0.5 FTE because it is a position that is only filled during the construction season. Operating expenses are lower than the executive budget by \$21,225 in fiscal 1988 and \$41,122 in fiscal 1989 because the legislature did not allow inflationary increase in data processing costs.



AGENCY: DEPARTMENT OF HIGHWAYS

LEGISLATIVE ACTION

PROGRAM: MAINTENANCE PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	662.83	642.33	642.33	0.00		642.33	642.33	0.00		-20.50
Personal Services	\$18,564,769	\$18,962,443	\$18,962,443	\$ 0		\$19,030,425	\$19,030,425	\$ 0		2.14
Operating Expenses	22,542,013	21,425,259	21,629,212	203,953		21,608,649	21,601,602	(7,047)		-4.05
Equipment	337,195	100,204	100,204	0		100,090	100,090	0		-70.28
Non-Operating	158,484	133,030	133,030	0		133,030	133,030	0		-16.06
TOTAL EXPENSES	\$41,602,461	\$40,620,936	\$40,824,889	\$203,953		\$40,872,194	\$40,865,147	\$(7,047)		-1.87
FUNDING										
State Special Revenue	\$41,546,516	\$40,620,936	\$40,613,889	\$ (7,047)		\$40,872,194	\$40,865,147	\$(7,047)		-2.24
Federal Revenue	55,945	0	211,000	211,000		0	0	0		277.16
TOTAL FUNDING	\$41,602,461	\$40,620,936	\$40,824,889	\$203,953		\$40,872,194	\$40,865,147	\$(7,047)		-1.87

Program Description: The Maintenance Program is responsible for managing and maintaining state highways and related facilities. Maintenance activities include the patching and repair of the highway surface, periodic sealing of highways, snow removal, and sanding.

Budget: There was a deletion of 20.50 FTE positions in this program resulting from pay plan and budget reductions made in fiscal 1987. Personal services increase from fiscal 1986 to fiscal 1988, even though there is a reduction of FTE, because of the number of vacancies in fiscal 1986 which were at 49.27 FTE at the fiscal year-end. Vacancy savings of 4 percent was applied to this program. Weed control expense increases \$99,426 from fiscal 1986 to fiscal 1988 and an additional \$10,272 to fiscal 1989. Vehicle rental decreases \$178,570, utilities increase, primarily from inflation, \$90,824, oil mixed materials decrease \$957,117, maintenance contracts decrease \$50,000 from fiscal 1986 to fiscal 1988. A one-time expenditure of \$65,084 in fiscal 1986 was deleted. Equipment decreases \$236,991 or 70.28 percent. Non-operating costs are the purchase of gravel sites for the program.

Funding: The Maintenance Program is funded 100 percent by the highway state revenue funds. Fiscal 1986 has \$55,945 of federal funds which was a budget amendment for a FEMA project for flood damage in northern Montana, and there is \$211,000 of federal funds appropriated for fiscal 1988 in House Bill 621, as summarized below.

Other Legislation:

1. House Bill 621 - appropriated \$211,000 of oil overcharge funds to the department to replace energy inefficient mercury highway lights east of the continental divide with energy efficient low-pressure sodium vapor lights.

Difference From Executive: The legislative approved budget is higher than the executive budget in fiscal 1988 and lower in fiscal 1989, all in operating expenses. The legislative budget includes the \$211,000 in House Bill 621 and a reduction in rent of \$7,047 each fiscal year, neither of which are included in the executive budget.

AGENCY: DEPARTMENT OF HIGHWAYS

LEGISLATIVE ACTION

PROGRAM: EQUIPMENT PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	120.35	117.85	119.85	2.00	117.85	119.85	2.00	-0.50
Personal Services	\$ 3,328,003	\$ 3,345,584	\$ 3,396,551	\$ 50,967	\$ 3,358,140	\$ 3,409,223	\$ 51,083	2.06
Operating Expenses	4,696,460	4,505,186	4,505,186	0	4,566,262	4,566,261	(1)	-4.07
Equipment	4,649,030	4,905,659	4,905,659	0	4,905,659	4,905,659	0	5.52
Non-Operating	2,910,182	1,675,099	1,930,659	255,560	1,450,099	1,705,659	255,560	-33.66
TOTAL EXPENSES	\$15,583,675	\$14,431,528	\$14,738,055	\$306,527	\$14,280,160	\$14,586,802	\$306,642	-5.43
FUNDING								
State Special Revenue	\$ 2,910,182	\$ 1,675,099	\$ 1,930,659	\$255,560	\$ 1,450,099	\$ 1,705,659	\$255,560	-33.66
Proprietary Fund	12,673,493	12,756,429	12,807,396	50,967	12,830,061	12,881,144	51,083	1.06
TOTAL FUNDING	\$15,583,675	\$14,431,528	\$14,738,055	\$306,527	\$14,280,160	\$14,586,803	\$306,643	-5.43

Program Description: The Equipment Program is responsible for the purchase, distribution, and maintenance of all highway equipment. Equipment is rented out to various programs within the highway department.

Budget: A 0.50 FTE administrative officer position was deleted due to pay plan reductions in fiscal 1987. Two FTE mechanic positions were also deleted because of pay plan reductions but were added back by the legislature. Vacancy savings of 4 percent was taken. Insurance increases \$48,974 each year. There was a negative expenditure in contracted services in fiscal 1986 of \$69,519 which was not budgeted in fiscal 1988. Gasoline decreases \$207,725 and diesel decreases \$58,115 each fiscal year. Inflation for utilities and gasoline adds \$24,651 to fiscal 1988 and an additional \$61,232 in fiscal 1989. Non-operating expenses are the transfers of highway state special funds into the equipment proprietary fund.

Funding: The highway state special revenue funds are \$1,930,659 and \$1,705,659 in fiscal 1988 and 1989. The Highway Equipment Proprietary account funds the balance of the program at \$12,807,396 and \$12,881,144 in fiscal 1988 and 1989, respectively.

Difference From Executive: The legislative approved budget is higher than the executive budget in personal services because 2.0 FTE machinist positions, which had been part of the budget reductions of Special Session III, were added back. Non-operating expenses are higher by \$255,560 each year, reflecting the higher transfer of state special revenues to the equipment program proprietary account.



AGENCY: DEPARTMENT OF HIGHWAYS

LEGISLATIVE ACTION

PROGRAM: STATE MOTOR POOL

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	6.00	6.00	6.00	6.00	6.00	0.00
Personal Services	\$142,876	\$147,684	\$147,684	\$148,107	\$148,107	3.37
Operating Expenses	225,006	212,804	212,804	217,982	217,982	-5.42
Equipment	489,711	402,120	427,120	360,620	335,620	-12.78
TOTAL EXPENSES	\$857,593	\$762,608	\$787,608	\$726,709	\$701,709	-8.16
PROPRIETARY FUND	\$857,593	\$762,608	\$787,608	\$726,709	\$701,709	-8.16

Program Description: The State Motor Pool Program operates and maintains a fleet of rental vehicles available to all state offices and employees in the Helena area.

Budget: The personal service increase reflects the 3.6 percent salary increase from fiscal 1986 to 1987. Vacancy savings was taken at 4 percent. Insurance increases by \$5,932 to fiscal 1988. One-time expenditures of \$4,248 in contract services and supplies were deleted. Gasoline, including inflation, decreases \$14,758 from fiscal 1986 to 1988 and inflation on gasoline increases \$5,705 from fiscal 1988 to 1989. Equipment decreases 12.78 percent and is comprised entirely of automotive vehicles.

Funding: Funding is from the motor pool proprietary account. Revenues in this account come from vehicle rentals.

Difference From Executive: The only difference between the legislative approved budget and the executive budget is the \$25,000 transfer of equipment budget between the two fiscal years. This was done at the department's request.

AGENCY: DEPARTMENT OF HIGHWAYS

LEGISLATIVE ACTION

PROGRAM: CAPITAL OUTLAY PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	Executive	Legislature	
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-Operating	\$28,109,889	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
TOTAL EXPENSES	\$28,109,889	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
STATE SPECIAL REVENUE	\$28,109,889	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A

Program Description: The Capital Outlay Program constitutes the sinking fund for the retirement of department's bonds. It is also the program used to transfer the highway state special revenue funds to the Reconstruction Trust Account. There are no funds budgeted in this program for the 1989 biennium because the debt service bond principal and interest payments are statutorily appropriated in Section 17-7-502 (4), MCA.

AGENCY: DEPARTMENT OF HIGHWAYS

LEGISLATIVE ACTION

PROGRAM: STORES INVENTORY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Legislature	Difference	
FTE	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING EXPENSES	\$12,442,561	\$13,602,298	\$0	\$13,672,810	\$0	9.32
STATE SPECIAL REVENUE	\$12,442,561	\$13,602,298	\$0	\$13,672,810	\$0	9.32

Program Description: The Highway Stores Program is used to purchase and store materials such as sand, road oil, and gasoline which is needed by the other highway department programs. Physically separate store operations are maintained in Helena, at each of the field areas, and at their respective section houses. Known as Stores Headquarters, the Helena branch of the stores system addresses the needs of the Helena headquarters building and shop facility and acts as the central receiving and distribution center for all quantity stores purchases made for the highway department.

Budget: Contractor payments for production of road oil mix increases by \$221,189, gasoline increases by \$238,000, road oil decreases by \$172,688 and sand cost increases \$843,972 from fiscal 1986 to fiscal 1988. The inflation for gasoline and laboratory supplies increases \$12,278 from fiscal 1986 to fiscal 1988 and an additional \$70,500 to fiscal 1989.

Funding: This program is funded from the highway state special revenue account.



AGENCY: DEPARTMENT OF HIGHWAYS		LEGISLATIVE ACTION				PROGRAM: GROSS VEHICLE WEIGHT			
BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		Fiscal 1989		FY 86-88	
		Executive	Legislature	Difference	Executive	Legislature	Difference		% Change
FTE	107.14	110.03	110.03	0.00	110.03	110.03	0.00	2.89	
Personal Services	\$2,299,072	\$2,570,305	\$2,570,305	\$0	\$2,570,561	\$2,570,561	\$0	11.80	
Operating Expenses	789,331	872,082	872,082	\$0	878,681	878,681	\$0	10.48	
Equipment	116,452	54,920	54,920	\$0	54,120	54,120	\$0	-52.84	
TOTAL EXPENSES	\$3,204,855	\$3,497,307	\$3,497,307	\$0	\$3,503,362	\$3,503,362	\$0	9.13	
STATE SPECIAL REVENUE	\$3,204,855	\$3,497,307	\$3,497,307	\$0	\$3,503,362	\$3,503,362	\$0		

Program Description: The Gross Vehicle Weight Division provides enforcement of the statutes and regulations relating to vehicle weights on the state's highways (Title 61, MCA) and collects gross vehicle weight fees. It consists of two bureaus. The Licensing and Collection Bureau registers interstate fleet vehicles, issues GVW fee licenses, issues oversize and overweight permits, and collects fees and taxes. The Enforcement Bureau operates eight stations across the state and assigns enforcement officers to inspect vehicles for compliance with registration, fuel, size, and weight laws.

Budget: There is a 2.89 FTE increase which is shown in the following table.

Table 2  
Gross Vehicle Weight Program FTE Change  
Fiscal 1986 to Fiscal 1988

	FTE
Authorized Additional GVW Officers - Fiscal 1987	11.00
Transferred to General Operations Program	(3.00)
Reduction for fiscal 1987 Budget and Pay Plan Cuts	(5.11)
Net FTE Addition	<u>2.89</u>

The personal services budget increases due to the FTE increases, vacancy savings realized in fiscal 1986, and position compensation increases based on fiscal 1987 pay matrices.

Data processing costs increase \$8,564, utilities increase \$6,049, repairs increase \$19,741, relocation increases \$22,875, allowances increase \$10,807, and recruiting increases by \$2,043 from fiscal 1986 to fiscal 1988. These costs are related to two new weigh stations and costs associated with the additional officers added in fiscal 1987. Inflation on utilities increases \$9,155 to fiscal 1988 and an additional \$8,659 to fiscal 1989. The equipment budget includes six sets of portable scales costing \$44,000 each year of the biennium.

Funding: This program is funded totally from the highway state special revenue account.

PROGRAM: AGENCY SUMMARY

LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF MILITARY AFFAIRS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	91.00	95.50	96.50	1.00		95.50	96.50	1.00		5.50
Personal Services	\$1,850,966	\$2,248,700	\$2,272,999	\$ 24,299		\$2,255,204	\$2,279,511	\$ 24,307		22.80
Operating Expenses	1,708,874	1,855,420	2,145,774	290,354		1,874,647	2,194,987	320,340		25.57
Equipment	23,181	9,460	3,500	(5,960)		0	0	0		-84.90
Non-Operating	1,983,366	1,002,280	2,002,280	1,000,000		1,002,280	2,002,280	1,000,000		0.95
TOTAL EXPENSES	\$5,566,387	\$5,115,860	\$6,424,553	\$1,308,693		\$5,132,131	\$6,476,778	\$1,344,647		15.42
FUNDING										
General Fund	\$1,822,275	\$1,836,982	\$1,814,721	\$ (22,261)		\$1,818,031	\$1,829,435	\$ 11,404		-0.41
Federal Revenue	3,744,112	3,278,878	4,609,832	1,330,954		3,314,100	4,647,343	1,333,243		23.12
TOTAL FUNDING	\$5,566,387	\$5,115,860	\$6,424,553	\$1,308,693		\$5,132,131	\$6,476,778	\$1,344,647		15.42

**Program Description:** The Department of Military Affairs oversees all activities of the Army National Guard and the Air Guard Programs, the Veterans' Affairs Division, and the Disaster and Emergency Services Division, which is responsible for the preparation, update coordination, and testing of all state emergency preparedness, response, and recovery plans. The division is also responsible for radiological defense efforts and calibration and maintenance of radiological instruments.

**Budget:** The increase of 5.5 FTE is a cumulative result of the elimination of 11.0 FTE security guard positions directly paid by the federal government in the 1989 biennium, the elimination of 2.5 FTE due to fiscal 1987 budget cuts, the additions of 17.0 firefighters in the Air Guard Program via a modified budget, and the addition of 2.0 FTE to the Army Guard Program via modified budgets.

The increase in total costs of the department is primarily the result of four factors: 1) elimination of budget amendments totaling \$247,757 in fiscal 1986; 2) elimination of start-up costs of the veterans' cemetery of \$25,000; 3) an increase in local civil defense reimbursements from \$1,800,861 to \$2,000,000 each year; and 4) the addition of \$892,178 in fiscal 1988 and \$896,382 in fiscal 1989 in modified budgets.



Funding: General fund supports all or a portion of all programs of the department with the exception of Emergency Management Development, which is entirely federally funded. A detailed discussion of the funding of each program is contained in the narrative that follows.

Other Legislation:

1. House Bill 523 - This bill establishes an income tax checkoff for one year to fund the state veterans' cemetery at Fort Harrison and statutorily appropriates the funds.

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AGENCY: DEPARTMENT OF MILITARY AFFAIRS

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	Difference
FTE	4.00	4.00	4.00	4.00	4.00	0.00
Personal Services	\$121,920		\$124,598		\$124,655	\$ 26
Operating Expenses	49,247	\$124,576	56,830	\$124,629	56,117	2,047
TOTAL EXPENSES	\$171,167	\$179,204	\$181,428	\$178,699	\$180,772	\$2,073
						5.99
FUNDING						
General Fund	\$163,822	\$169,508	\$171,327	\$168,961	\$170,627	\$1,666
Federal Revenue	7,345	9,696	10,101	9,738	10,145	407
TOTAL FUNDING	\$171,167	\$179,204	\$181,428	\$178,699	\$180,772	\$2,073
						5.99

Program Description: The Administration Program provides management and supervisory support to the Department of Military Affairs.

Budget: The rise in operating expenses of 15.40 percent is due to increases in utility costs of \$3,607 in fiscal 1988 and \$7,019 in fiscal 1989, and an audit fee increase of \$3,739 in fiscal 1988 above the fiscal 1986 level. Total audit costs are \$4,511 in fiscal 1988 only.

Funding: General fund provides the entire support of this program with the exception of 0.5 FTE of a 1.0 FTE accounting technician position, who is 50 percent funded with federal funds as reimbursement for federal work performed. The rise in federal funds of 37.52 percent is due to the position being funded with approximately 40 percent federal funds in fiscal 1986.

AGENCY: DEPARTMENT OF MILITARY AFFAIRS

LEGISLATIVE ACTION

PROGRAM: ARMY NATIONAL GUARD PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	15.00	15.00	16.00	1.00	15.00	16.00	1.00	1.00
Personal Services	\$ 290,326	\$ 309,224	\$ 333,218	\$ 23,994	\$ 309,919	\$ 333,876	\$ 23,957	14.77
Operating Expenses	1,075,847	1,081,863	1,395,900	314,037	1,110,670	1,427,346	316,676	29.75
Equipment	902	3,000	0	(3,000)	0	0	0	-100.00
Non-Operating	157,505	2,280	2,280	0	2,280	2,280	0	-98.55
TOTAL EXPENSES	\$1,524,580	\$1,396,367	\$1,731,398	\$335,031	\$1,422,869	\$1,763,502	\$340,633	13.57
FUNDING								
General Fund	\$ 836,127	\$ 842,986	\$ 848,274	\$ 5,288	\$ 858,570	\$ 868,498	\$ 9,928	1.45
Federal Revenue	688,453	553,381	883,124	329,743	564,299	895,004	330,705	28.28
TOTAL FUNDING	\$1,524,580	\$1,396,367	\$1,731,398	\$335,031	\$1,422,869	\$1,763,502	\$340,633	13.57

**Program Description:** The Army National Guard provides trained and equipped military organizations for the Governor in the event of a state emergency and for the President in the event of a national emergency. The state's responsibilities include coordination and maintenance of all National Guard facilities.

**Budget:** The increase of 1.0 FTE is the net effect of the deletion of a 1.0 FTE vacant security guard position due to fiscal 1987 budget cuts and the addition of 1.0 FTE designer and 1.0 FTE counselor via modified budgets. The increase in operating expenses of 29.75 percent is the cumulative result of the following: 1) expenses of two budget amendments totaling \$92,757 were eliminated; 2) insurance expenses were reduced \$17,096; 3) uniform reimbursements were reduced \$3,150; 4) utilities were increased \$29,742 in fiscal 1988 and \$61,095 in fiscal 1989; and 5) three modified budgets add \$402,850 each year.

Non-operating costs in the 1989 biennium consist of \$2,280 each year in payments to a national guardsman injured in a prison riot in 1959. Non-operating costs in fiscal 1986 also included a budget amendment of \$155,000 and \$225 in capital outlay costs not maintained in the 1989 biennium.



Modifieds Approved:

1. Designer: Federal funds totaling \$22,065 in fiscal 1988 and \$22,105 in fiscal 1989 are included to add a design engineer to coordinate and supervise minor construction and repair projects for the Townsend Montana Guard training site and for Fort Harrison.
2. Telephone/Maintenance Costs: Federal funds totaling \$96,100 each year are included to account for a reimbursement agreement with the federal government for a portion of communications and maintenance costs of specific Army Guard facilities.
3. Training Site Support: Federal funds totaling \$300,000 each year are included to provide training site support.
4. Coordinator for Family Services: Federal funds totaling \$30,744 in fiscal 1988 and \$30,707 in fiscal 1989, including 1.0 FTE, are included to provide support services for Army Guard family members.

Funding: This program is funded with a combination of general fund and federal funds. The state is reimbursed for certain expenses, including personal services, contract services, supplies and materials, utilities, and repair and maintenance, associated with the maintenance of federal buildings on a 75/25 federal/state basis. In addition, the federal government makes a grant for communications expenses to the program. The increase in federal funds of 28.28 percent is due to the deletion of three budget amendments totaling \$247,757 and the addition of the four modified budgets totaling \$448,909 in fiscal 1988 and \$448,912 in fiscal 1989.

Difference From Executive: The difference between the executive budget and the appropriation primarily occurs as two modified requests funded by the legislature were not included in the executive budget: the 1.0 FTE coordinator for family services and the training site support.

AGENCY: DEPARTMENT OF MILITARY AFFAIRS

LEGISLATIVE ACTION

PROGRAM: AIR NATIONAL GUARD PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	31.00	37.00	37.00	37.00	37.00	6.00
Personal Services	\$478,301	\$ 840,441	\$ 840,441	\$ 846,355	\$ 846,355	75.71
Operating Expenses	383,846	451,958	451,958	483,993	483,993	17.74
TOTAL EXPENSES	\$862,147	\$1,292,399	\$1,292,399	\$1,330,348	\$1,330,348	49.90
FUNDING						
General Fund	\$105,935	\$ 119,185	\$ 119,185	\$ 125,671	\$ 125,671	12.51
Federal Revenue	756,212	1,173,214	1,173,214	1,204,677	1,204,677	55.14
TOTAL FUNDING	\$862,147	\$1,292,399	\$1,292,399	\$1,330,348	\$1,330,348	49.90

Program Description: The Air National Guard provides administrative and clerical services for the Air Guard Program. This program is also responsible for facilities maintenance and fire protection support to the Air National Guard base at Gore Hill near Great Falls.

Budget: Funding for 11.0 FTE security guard positions was added in fiscal 1986. These positions were never funded from this program, as the positions were funded directly by the federal government. The positions have been deleted in the 1989 biennium. In a modified budget, 17.0 FTE firefighter positions were added to increase the staff at Gore Hill.

Personal services increase 75.71 percent as a net result of two factors: 1) the total reimbursement paid to each of the 14.0 FTE firefighters is reduced by the amount of federal pay plan each year. The firefighters are 100 percent federally funded; and 2) the addition of 17.0 FTE firefighters adds \$368,995 in fiscal 1988 and \$371,443 in fiscal 1989. Operating expenses rise 17.74 percent, as utilities add \$29,951 in fiscal 1988 and \$60,167 in fiscal 1989 and the expenses of the additional firefighters, utilities and repair and maintenance included via modified budget add \$44,178 in fiscal 1988 and \$46,027 in fiscal 1989. In addition, \$5,000 in repair and maintenance were deleted as a result of fiscal 1987 budget cuts.

Modifieds Approved:

1. Crash/Fire Rescue: Funds are included to increase the firefighter staff at Gore Hill near Great Falls and for increased utilities and repair and maintenance costs of specialized facilities due to the conversion from F-106 to F-16 fighter planes. The increased staff costs, totaling \$368,995 in fiscal 1988 and \$371,443 in fiscal 1989, are 100 percent federally funded. The increased utilities and repair and maintenance, totaling \$44,178 in fiscal 1988 and \$46,027 in fiscal 1989, are 80 percent federal, 20 percent general fund. General fund cost of this modified totals \$8,836 in fiscal 1988 and \$9,205 in fiscal 1989.

Funding: The Air National Guard is funded with general fund and with federal funds. Federal funds entirely support the 31.0 FTE firefighters and provide 80 percent of the remaining funding of the program, with the exception of travel and other expenses, which are general funded.



AGENCY: DEPARTMENT OF MILITARY AFFAIRS

LEGISLATIVE ACTION

PROGRAM: VETERANS' AFFAIRS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	18.50	18.00	18.00	0.00	18.00	18.00	0.00	-0.50
Personal Services	\$398,715	\$392,096	\$392,212	\$ 116	\$392,106	\$392,246	\$ 140	-1.63
Operating Expenses	67,415	90,778	87,903	(2,875)	86,569	83,392	(3,177)	30.39
Equipment	3,910	6,460	3,500	(2,960)	0	0	0	-10.49
Non-Operating	25,000	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$495,040	\$489,334	\$483,615	\$(5,719)	\$478,675	\$475,638	\$(3,037)	-2.31
FUNDING								
General Fund	\$495,040	\$459,334	\$453,615	\$(5,719)	\$448,675	\$445,638	\$(3,037)	-8.37
Federal Revenue	0	30,000	30,000	0	30,000	30,000	0	N/A
TOTAL FUNDING	\$495,040	\$489,334	\$483,615	\$(5,719)	\$478,675	\$475,638	\$(3,037)	-2.31

**Program Description:** The Veterans' Affairs Division provides a statewide service of assisting discharged veterans and their families, files claims, cooperates with state and federal agencies having to do with the affairs of veterans and their families, and promotes the general welfare of veterans with information on veterans' benefits, provision of Veterans' Administration (VA) forms, guidance in completing those forms, and representation before regional VA appeals boards.

**Budget:** A 1.0 FTE administrative assistant position was eliminated due to fiscal 1987 budget cuts. However, a word processing operator position was increased to 1.0 FTE, for a net decrease of 0.5 FTE.

Operating expenses increase 30.39 percent as a cumulative result of the following actions: 1) a contract for secretarial services with the DAV and VFW totaling \$9,058 was eliminated in a continuation of fiscal 1987 budget cuts; 2) rent on the Butte office totaling \$1,998 each year was deleted; 3) one-time telephone charges of \$1,500 were eliminated; 4) one-time paint expenses of \$1,000 were eliminated; 5) audit fees total \$4,511, which is \$3,739 higher than the fiscal 1986 level; and 6) a modified budget to open and close veterans' graves adds \$30,000 each year.

Equipment consists of one personal computer.

Modifieds Approved:

1. Veterans' Cemetery: Federal funds of \$30,000 each year are included to establish an account to receive Veterans' Administration plot allowances of \$150 per veteran burial and will be used through a contract for services to open and close graves.

Difference From Executive: The difference between the executive budget and the appropriation is due to the deletion of one-time telephone expenses by the legislature, and the inclusion of increases in travel and data processing in the executive budget not included by the legislature. In equipment, the executive budget had included funding for a microfilm reader/printer.

AGENCY: DEPARTMENT OF MILITARY AFFAIRS

LEGISLATIVE ACTION

PROGRAM: DISASTER COORDINATION AND RESPONSE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	14.00	13.00	13.00	0.00		13.00	13.00	0.00		-1.00
Personal Services	\$370,032									
Operating Expenses	89,253	\$371,186	\$371,353	\$ 167		\$371,059	\$371,243	\$ 184		0.36
Equipment	14,948	91,852	93,670	1,818		82,347	87,141	4,794		4.95
		0	0	0		0	0	0		-100.00
TOTAL EXPENSES	\$474,233	\$463,038	\$465,023	\$1,985		\$453,406	\$458,384	\$4,978		-1.94
FUNDING										
General Fund	\$221,351	\$220,969	\$222,320	\$1,351		\$216,154	\$219,001	\$2,847		0.44
Federal Revenue	252,882	242,069	242,703	634		237,252	239,383	2,131		-4.03
TOTAL FUNDING	\$474,233	\$463,038	\$465,023	\$1,985		\$453,406	\$458,384	\$4,978		-1.94

Program Description: Disaster Coordination and Response is responsible for the preparation, update, coordination, and testing of all state emergency preparedness, response, and recovery plans.

Budget: One FTE training officer was deleted due to the fiscal 1987 budget cuts. The increase of 4.95 percent in operating expenses is due to the cumulative effect of two factors: 1) audit fees total \$6,530 in fiscal 1988, or \$5,604 over the fiscal 1986 level; and 2) a one-time data processing expense of \$1,555 was eliminated.

Funding: This program is funded 50/50 with federal funds and general fund, with the exception of \$16,982 in travel, which is 100 federal funded.



AGENCY: ADJUTANT GENERAL

LEGISLATIVE ACTION

PROGRAM: EMERGENCY MANAGEMENT DEVELOPMENT

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	8.50	8.50	8.50	8.50	8.50	0.00
Personal Services	\$191,672	\$211,177	\$211,177	\$211,136	\$211,136	\$0
Operating Expenses	43,266	59,341	59,513	56,998	56,998	0
Equipment	3,421	0	0	0	0	0
TOTAL EXPENSES	\$238,359	\$270,518	\$270,690	\$268,134	\$268,134	13.56
FEDERAL REVENUE FUNDS	\$238,359	\$270,518	\$270,690	\$268,134	\$268,134	13.56

Program Description: Emergency Management Development supplements the Disaster Coordination and Response Program in the preparation and updating of local and state Emergency Preparedness Plans and is responsible for calibration and maintenance of radiological instruments.

Budget: The rise in operating expenses of 37.55 percent is due to the following factors: 1) travel was increased \$11,273 each year; 2) insurance and bonds were increased \$2,570; 3) audit fees total \$2,320 in fiscal 1988, which is \$1,857 over the fiscal 1986 level; and 4) data processing expenses were raised \$240.

BUDGET ITEM	FY 1986 Actual	LEGISLATIVE ACTION				PROGRAM: LOCAL CIVIL DEFENSE REIMBURSEMENT				FY 86-88 % Change
		Fiscal 1988		Fiscal 1989		Executive		Legislature		
		----- Executive	----- Legislature	----- Difference	----- Difference	----- Executive	----- Legislature	----- Difference	----- Difference	
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-OPERATING EXPENSES	\$1,800,861	\$1,000,000	\$2,000,000	\$1,000,000	\$1,000,000	\$2,000,000	\$1,000,000	\$1,000,000	\$1,000,000	11.06
FEDERAL REVENUE FUNDS	\$1,800,861	\$1,000,000	\$2,000,000	\$1,000,000	\$1,000,000	\$2,000,000	\$1,000,000	\$1,000,000	\$1,000,000	11.06

Program Description: This program passes through federal funds to localities in the event of an emergency and for civil defense preparedness.

Budget: The appropriation represents the anticipated expenditure level each year. These funds had previously been statutorially appropriated and are included on a modified budget.

Modifieds Approved:

1. Local Civil Defense Reimbursements: Federal pass through funds totaling \$2,000,000 each year are included for the Local Civil Defense Reimbursement Program to receive, record and disburse federal funds to other eligible political subdivisions.





# HUMAN SERVICES





AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	229.25	245.50	244.59	-0.91	245.25	244.34	-0.91	15.34
Personal Services	\$ 6,379,650	\$ 6,884,238	\$ 6,858,687	\$ (25,551)	\$ 6,882,637	\$ 6,857,291	\$ (25,346)	7.51
Operating Expenses	4,762,706	10,115,010	10,505,381	390,371	11,042,382	11,400,275	357,893	120.58
Equipment	252,262	324,574	307,357	(17,217)	172,197	154,467	(17,730)	21.84
Non-Operating	10,587,398	8,709,085	11,252,085	2,543,000	8,935,939	11,477,940	2,542,001	6.28
TOTAL EXPENSES	\$21,982,016	\$26,032,907	\$28,923,510	\$2,890,603	\$27,033,155	\$29,889,973	\$2,856,818	31.58
FUNDING								
General Fund	\$ 3,853,795	\$ 3,751,227	\$ 3,953,548	\$ 202,321	\$ 3,712,500	\$ 3,908,021	\$ 195,521	2.59
State Special Revenue	1,774,247	2,501,633	2,700,278	198,645	2,178,239	2,326,262	148,023	52.19
Federal Revenue	16,347,574	19,780,047	22,269,684	2,489,637	21,142,416	23,655,690	2,513,274	36.23
Other Revenue	6,400	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$21,982,016	\$26,032,907	\$28,923,510	\$2,890,603	\$27,033,155	\$29,889,973	\$2,856,818	31.58

Program Description: The Department of Health and Environmental Sciences is responsible for protecting and promoting the health and safety of Montanans through several public laws, including those related to protection of the environment and inspection of x-ray machines and licensed health care and other public facilities. The department also maintains vital statistics records, approves the construction or purchase of certain medical facilities and equipment, and administers emergency medical service activities, several preventative health programs, the Handicapped Children's and End Stage Renal Disease Programs, and the federal WIC and Child Nutrition Programs. It is currently composed of four divisions: 1) the Director; 2) Centralized Services; 3) Environmental Sciences; and 4) Health Services and Medical Facilities. The department has reorganized for the 1989 biennium. The narrative that follows incorporates this reorganization.

Language in Bill: The total appropriation for the department includes \$1,897,421 in fiscal 1988 and \$1,897,421 in fiscal 1989 of the Maternal and Child Health Block Grant. To the extent revenues from this grant exceed these amounts, it shall be distributed to counties. The director of the department of health may distribute these revenues based upon



identifiable needs. To the extent revenues from this grant are less than these amounts, distributions to the counties shall be reduced.

The total appropriation for the department includes \$632,187 in fiscal 1988 and \$632,187 in fiscal 1989 from the Preventive Health Block Grant. To the extent revenues from this grant exceed these amounts, it shall be distributed at the discretion of the director of the department of health based upon identifiable needs. To the extent revenues from this grant are less than these amounts, the director of the department of health shall make program reductions.

If federal revenues exceed the amounts budgeted, the department may submit a budget amendment to include additional federal spending authority unless specifically prohibited by legislative action.

State and federal funds appropriated [to the department] include internal transfers of indirect charges. The amount of indirect charges collected for internal use by the department of health in excess of \$390,000 in fiscal 1988 and \$390,000 in fiscal 1989 for current programs shall cause a like reversion of general fund.

Funding: State special revenue is comprised of several types of funds, including: 1) vital statistics income; 2) laboratory fees; 3) junk vehicle fees; 4) Resource Indemnity Trust (RIT) interest; 5) wastewater operator license fees; 6) subdivision review fees; 7) local board inspection fees; and 8) emergency medical technician fees. Each is discussed in the narrative that follows.

Indirect Costs: All programs of the department except the general funded programs contribute to the administrative costs of the department of health via the indirect cost pool. The department negotiates a rate with the federal government, which is then applied to the personal services costs of all state revolving accounts and all federal funds, excluding block grants and National Center for Health Statistics funds. The actual rate is 13 percent in fiscal 1988 and is assumed to equal 13 percent in fiscal 1989. Approximately 87 percent of these charges are available to the department to offset certain central administrative costs, with the remainder deposited to the general fund. Of the total \$454,126 in fiscal 1988 and \$452,236 in fiscal 1989 anticipated to be collected, approximately \$63,000 each year will be directly deposited to the general fund.

Centralized Services Division Administration and a portion of the Support Services Bureau are currently funded with indirect charges. Prior to fiscal 1988, indirect charges were made directly on funding sources. These charges were not budgeted for, nor did they appear as expenses. These charges will now appear in each of the contributor program's budgets. Language is included to provide for a reversion of general fund for any indirects collected in excess of \$390,000 each year. This language applies to that portion of indirects collected for internal use by the department and does not include those indirects directly deposited to the general fund. Any indirects taken on budget amended funds would not cause a reversion of general fund. The following table shows the indirect charges added to the budget in fiscal 1988 and 1989 by program.

Table 1  
Indirect Costs

<u>Division/Program</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Centralized Services		
Support Services	\$ 5,127	\$ 5,112
Records and Statistics	9,498	7,850
Chemistry Laboratory	16,085	16,145
Microbiology Laboratory	22,837	22,984
Environmental Sciences		
Administration	13,151	13,157
Solid and Hazardous Waste	72,994	73,023
Air Quality	49,749	49,426
Water Quality	114,998	115,237
Health Services and Medical Facilities		
Family/Maternal and Child Health	54,524	54,522
Preventive Health	19,115	19,141
Licensing and Certification	29,991	30,000
Emergency Medical Services	2,189	2,195
Total Current Programs	\$410,258	\$408,792
Modified Budgets		
Superfund	\$ 10,685	\$ 10,658
Underground Storage Tanks	5,552	5,544
Wastewater Operators	737	1,473
Permit Tracking	1,090	-0-
Women, Infants and Children	2,212	2,208
AIDS	7,092	7,082
Licensing and Certification	16,500	16,479
Total Modifieds	\$ 43,868	\$ 43,444
TOTAL AGENCY	\$454,126	\$452,236

Federal Block Grants: The department receives two federal block grants: 1) the Preventive Health Block Grant; and 2) the Maternal and Child Health Block Grant. The following table shows actual expenditures of the Preventive Health Block Grant in fiscal 1986, the appropriated fiscal 1987 level, and the 1989 biennium budgeted levels.

Table 2  
Preventive Health Block Grant

Object	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989
Grant Award, including carryover	\$604,601*	\$632,061	\$632,187	\$632,187
Director				
Rape Crisis	\$ 11,970	\$ 11,970	\$ -0-	\$ -0-
Administration	43,557	48,645	48,645	48,645
Support Services				
Microbiology Lab	32,950	34,000	54,655	55,834
Health Services Medical Facilities				
Administration	9,878	10,168	10,168	10,168
Risk Reduction	47,869	49,257	48,218	48,315
Family Planning	193,430	201,961	202,015	202,017
Dental	-0-	15,000	18,318	18,455
Perinatal	96,529	56,205	70,012	68,670
EMS	168,418	204,855	168,186	168,113
Rape Crisis	-0-	-0-	11,970	11,970
Total Disbursements	\$604,601	\$632,061	\$632,187	\$632,187

\*As of fiscal year end 1986.



The following table illustrates actual fiscal 1986, appropriated fiscal 1987, and budgeted 1989 biennium levels of the Maternal and Child Health Block Grant.

Table 3  
Maternal and Child Health Block Grant

<u>Object</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Grant Award, including carryover	\$1,980,759*	\$1,920,679	\$1,897,421	\$1,897,421
Director				
Administration	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Grants to Counties	824,664	685,599	-0-	-0-
Health Services Medical Facilities				
Administration	23,047	23,727	23,727	23,727
Nursing	27,314	28,000	-0-	-0-
Family Planning	27,268	29,000	29,000	29,000
Clinical Administration	98,789	80,634	105,000	105,000
Handicapped Children	797,536	843,691	866,119	865,215
Dental	57,997	43,000	43,000	43,000
Grants to Counties	-0-	-0-	662,587	667,245
Perinatal	94,144	157,028	137,988	134,234
Total	<u>\$1,980,759</u>	<u>\$1,920,679</u>	<u>\$1,897,421</u>	<u>\$1,897,421</u>

\*As of fiscal year end 1986.

Federal Funds: The department of health receives several federal special revenue funds, as illustrated in the following table. Federal special revenue consists of federal grants as well as several other sources, including fees and indirect charges.

Table 4  
Department of Health - Federal Funds, including Modified Budgets

<u>Federal Fund</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Maternal and Child Health Block Grant	\$ 1,897,421	\$ 1,897,421
Preventive Health Block Grant	632,187	632,187
Legal Fees	15,164	4,080
Indirect Costs	390,000	390,000
Data Processing Fees	39,014	36,016
Film Library Fees	16,998	17,996
National Center for Health Statistics	69,435	69,435
EPA Hazardous Waste	286,565	287,324
EPA Underground Storage Tanks	172,395	140,468
EPA Superfund	5,643,301	6,833,965
State Lands	54,506	53,999
EPA Air Quality	625,944	626,262
EPA Safe Drinking Water	516,739	516,929
EPA Water Pollution Control	577,675	560,814
EPA Construction Grants	357,344	356,756
EPA Water Quality Management	100,000	100,000
Child Nutrition	2,664,406	2,662,437
Women, Infants and Children	6,389,610	6,659,807
Title XX Family Planning	808,244	808,244
Immunization	267,810	267,918
Sexually Transmitted Diseases	76,267	76,356
Rabies Vaccine	48,661	48,828
AIDS	94,380	84,030
Behavioral Risk Survey	11,000	11,000
Title XIX Medicaid	207,566	207,080
Title XVIII Medicare	307,052	306,338
Total Agency	<u>\$22,269,684</u>	<u>\$23,655,690</u>

2. House Bill 716 - This bill appropriates \$520,000 of general fund over the biennium to continue state funding begun in fiscal 1986 for a voluntary statewide genetics program. The department contracts with Shodair Hospital in Helena for this program. The general fund is offset by a fee of \$.35 on each Montana resident insured under any individual or group disability or health insurance policy.
3. House Bill 718 - This bill allocates 4 percent of the interest income from the Resource Indemnity Trust fund to the environmental quality protection fund for hazardous waste site remedial action beginning in fiscal 1990. If current estimates of interest income are assumed, 4 percent would raise approximately \$270,000 each year.
4. House Bill 777 - This bill appropriates \$200,000 of Resource Indemnity Trust interest over the biennium to pursue the Natural Resources lawsuit. The state is seeking damages from private corporations for permanent loss of natural resources under the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).
5. House Bill 878 - This bill appropriates \$50,000 of general fund over the biennium for the establishment and operation of air quality monitoring stations in Yellowstone County. The appropriation is contingent upon the receipt of \$150,000 in matching funds from private industry.
6. House Bills 760 and 777 - House Bill 760 authorizes the issuance and sale of CERCLA (Comprehensive Environmental Response, Compensation and Liability Act) bonds and appropriates the proceeds for superfund and other CERCLA activities. The proceeds would also be used as match for federal Underground Storage Tank funds. House Bill 777 raises the Resource Indemnity Trust (RIT) interest allocation to the department from the current 6 percent to 12 percent. The interest is provided for hazardous waste, underground storage tank, and superfund match requirements. House Bill 777 also allows the department to budget amend RIT and federal superfund funds for superfund projects as needed.
7. Senate Bill 246 - This bill extends the certificate of need law, which was due to expire on June 30, 1987, for two years. The bill also provides for a general clarification and revision of the certificate of need statutes.
8. Senate Bill 353 - This bill authorizes the Commissioner of Insurance and the department of health to adopt rules regulating the formation and operation of health maintenance organizations. The bill also statutorily appropriates such fees as may be necessary to cover the expense of the department.



AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES			LEGISLATIVE ACTION				PROGRAM: DIRECTOR	
BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change		
		Executive	Legislature	Executive	Legislature		Difference	
FTE	11.00	10.00	10.00	10.00	10.00	0.00	0.00	-1.00
Personal Services	\$388,927	\$361,067	\$361,275	\$361,037	\$361,251	\$ 214	\$ 214	-7.11
Operating Expenses	69,110	56,507	156,267	56,271	156,031	99,760	99,760	126.11
Equipment	1,024	12,284	12,284	1,200	1,200	0	0	1099.61
TOTAL EXPENSES	\$459,061	\$429,858	\$529,826	\$418,508	\$518,482	\$ 99,974	\$ 99,974	15.42
FUNDING								
General Fund	\$385,503	\$335,589	\$336,017	\$335,323	\$335,757	\$ 434	\$ 434	-12.84
State Special Revenue	0	0	100,000	0	100,000	100,000	100,000	--
Federal Revenue	73,558	94,269	93,809	83,185	82,725	(460)	(460)	27.53
TOTAL FUNDING	\$459,061	\$429,858	\$529,826	\$418,508	\$518,482	\$ 99,974	\$ 99,974	15.42

Program Description: The Director's Division is responsible for overall management and program support for the Department of Health and Environmental Sciences. The Director's Office coordinates and provides policy development and administration for the department. The Board of Health advises the department in matters concerning the public health. Legal Services provides all aspects of legal representation to the department.

Budget: A 1.0 FTE information officer position was deleted due to no fiscal 1987 pay plan funding and the Special Session III budget cuts.

The increase in operating expenses of 126.11 percent is cumulatively the result of the following: 1) legal expenses of the family planning lawsuit totaling \$14,151 were deleted; 2) one-time contracts totaling \$7,875 were eliminated; 3) legal expenses of the Board of Health were increased \$3,068 each year; 4) per diem and travel expenses for the Board of Health were increased \$1,508 each year; 5) Westlaw research expenses of \$2,880 each year were added to the Legal Unit; and 6) \$100,000 was added each year for expenses associated with the Natural Resources lawsuit. The state is seeking damages under federal CERCLA statutes for permanent loss of natural resources. The remainder of the difference is due to miscellaneous adjustments.

Equipment consists of computer equipment and software for the Legal Unit.

Funding: General fund declines 12.84 percent due to the reduction in FTE, contracts, and legal expenses, and the Board of Health expenditure increase. In addition to a portion of the Director's Office, general fund provides sole support for the Board of Health and the Legal Unit, with the exception of Westlaw and computer purchases.

State special revenue consists of Resource Indemnity Trust interest appropriated in House Bill 777 for expenses of the Natural Resource lawsuit.

Federal funds consist of Preventive Health and Maternal and Child Health Block Grants totaling \$78,645 in fiscal 1988 and \$78,645 in fiscal 1989, and legal fees to fund the computer purchases and Westlaw expenses in the Legal Unit, totaling \$15,164 in fiscal 1988 and \$4,080 in fiscal 1989. It is the intent of the legislature that Westlaw expenses be funded with 50 percent legal fees and 50 percent general fund in future biennia.

The following table illustrates the Director's Division, and each component and its funding.

Table 5  
Director - Components of Funding  
Fiscal 1988 and 1989

	Fiscal 1988	Fiscal 1989
Director's Office		
General Fund	\$215,415	\$215,678
MCH Block	30,000	30,000
PH Block	48,645	48,645
<b>Total</b>	<b>\$294,060</b>	<b>\$294,323</b>
<b>Board of Health - General Fund</b>	<b>\$ 10,045</b>	<b>\$ 10,045</b>
Legal Unit		
General Fund	\$110,557	\$110,034
Resource Indemnity Trust Interest	100,000	100,000
Legal Fees	15,164	4,080
<b>Total</b>	<b>\$225,721</b>	<b>\$214,114</b>
<b>Total Funds</b>	<b>\$529,826</b>	<b>\$518,482</b>

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

LEGISLATIVE ACTION

PROGRAM: DIVISION ADMINISTRATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	3.00	3.00	0.00	3.00	0.00	0.00
Personal Services	\$104,865	\$ 94,793	\$54	\$ 94,657	\$54	-9.55
Operating Expenses	50,531	92,854	0	93,203	0	83.76
TOTAL EXPENSES	\$155,396	\$187,647	\$54	\$187,860	\$54	20.79
FUNDING						
General Fund	\$ 0	\$ 1,781	\$ 0	\$ 2,216	\$ 0	N/A
Federal Revenue	155,396	185,866	54	185,644	54	19.64
TOTAL FUNDING	\$155,396	\$187,647	\$54	\$187,914	\$54	20.79

Program Description: The Centralized Services Division Administration office provides overall financial support to the department.

Budget: Operating expenses rise 83.76 percent due to a rise in Department of Administration insurance of \$39,020 and the addition of \$1,781 in fiscal 1988 and \$2,216 in fiscal 1989 in one-time data processing adjustments.

Funding: General fund supports the one-time data processing charges each year. The balance of the funding is provided by indirect charges made against federal and state special revenue funds in the contributor programs of the department.



LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

PROGRAM: SUPPORT SERVICES BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	20.00	16.50	16.50	0.00	16.50	16.50	0.00	-3.50
Personal Services	\$421,251	\$373,299	\$373,479	\$ 180	\$373,785	\$374,015	\$ 230	-11.34
Operating Expenses	125,784	125,957	128,978	3,021	85,866	85,866	0	2.54
Equipment	7,247	3,300	3,300	0	0	0	0	-54.46
TOTAL EXPENSES	\$554,282	\$502,556	\$505,757	\$ 3,201	\$459,651	\$459,881	\$ 230	-8.75
FUNDING								
General Fund	\$145,877	\$239,277	\$245,665	\$ 6,388	\$204,000	\$201,567	\$ (2,433)	68.41
State Special Revenue	41,721	0	0	0	0	0	0	-100.00
Federal Revenue	366,684	263,279	260,092	(3,187)	255,651	258,314	2,663	-29.07
TOTAL FUNDING	\$554,282	\$502,556	\$505,757	\$ 3,201	\$459,651	\$459,881	\$ 230	-8.75

Program Description: The Support Services Bureau maintains the accounting system and provides centralized purchasing, mailroom, cashier, auditing, data processing, and word processing functions for the department and contains the film library.

Budget: A 1.0 FTE accounting clerk position was deleted and a 1.0 FTE word processing operator position was reduced to 0.5 FTE due to no fiscal 1987 pay plan funding and Special Session III budget cuts. In addition, 2.0 FTE are now included in the Microbiology Laboratory, as the FTE had provided support services to the lab prior to reorganization.

Operating expenses show a slight increase over the fiscal 1986 level. This is the cumulative result of a number of changes, the primary factors being: 1) audit costs of \$43,821 were added, which is \$19,197 more than fiscal 1986 costs; 2) payroll service fees were increased \$2,783 to \$8,751; 3) \$14,054 was transferred to the Microbiology Laboratory, as the expenses had been incurred in administration of the lab; 4) child nutrition program audit expenses totaling \$5,386 were moved to the Family/Maternal and Child Health Bureau; 5) various expenditures totaling \$4,876 were deleted; and 6) indirect charges total \$5,127 in fiscal 1988 and \$5,112 in fiscal 1989. Operating expenses are reduced \$43,821 from fiscal 1988 to fiscal 1989 due to the audit expenses. Equipment consists of a computer for the Data Processing Unit.

Funding: All financial functions of the bureau had been funded with indirect charges in fiscal 1986. Two factors have resulted in a reduction in the amount of indirect charges that can be used to fund this function in the 1989 biennium: 1) the indirect rate has declined from 17.6 percent in fiscal 1986 to 13 percent in fiscal 1988; and 2) carryover funds were incorporated in the 1987 biennium. As a result, general fund, which provides that portion of the unit's funding not met by indirect charges, increases 68.41 percent. General fund support to the Financial Unit totals \$153,982 in fiscal 1988 and \$109,865 in fiscal 1989. General fund also completely supports the word processing functions of the bureau and totals \$91,683 in fiscal 1988 and \$91,702 in fiscal 1989.

State special revenue in fiscal 1986 consisted of lab income to support certain administrative functions that have been transferred to the labs in the 1989 biennium.

Federal revenue in the table is made up from three sources: 1) indirect charges in the financial unit, which total \$204,080 in fiscal 1988 and \$204,302 in fiscal 1989, 2) data processing charges totaling \$39,014 in fiscal 1988 and \$36,016 in fiscal 1989, which fund the data processing unit, and 3) film library fees totaling \$16,998 in fiscal 1988 and \$17,996 in fiscal 1989, which support the film library.

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

LEGISLATIVE ACTION

PROGRAM: RECORDS AND STATISTICS BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	15.00	15.00	15.00	0.00	15.00	15.00	0.00	0.00
Personal Services	\$327,233	\$336,642	\$336,864	\$222	\$336,253	\$336,480	\$227	2.94
Operating Expenses	76,897	96,778	96,778	0	89,549	89,549	0	25.85
Equipment	28,857	7,131	7,131	0	0	0	0	-75.29
TOTAL EXPENSES	\$432,987	\$440,551	\$440,773	\$222	\$425,802	\$426,029	\$227	1.80
FUNDING								
General Fund	\$301,920	\$272,104	\$272,326	\$222	\$279,136	\$279,363	\$227	-9.80
State Special Revenue	69,806	99,012	99,012	0	77,231	77,231	0	41.84
Federal Revenue	61,261	69,435	69,435	0	69,435	69,435	0	13.34
TOTAL FUNDING	\$432,987	\$440,551	\$440,773	\$222	\$425,802	\$426,029	\$227	1.80

Program Description: This bureau maintains the state's vital statistics system. The bureau also contains the Tumor Registry Program, which provides a registry of cancer patients in the state.

Language in Bill: The appropriation for this bureau includes \$99,012 in fiscal 1988 and \$77,231 in fiscal 1989 of funds from the vital statistics account. To the extent revenues into the account exceed these amounts, it must cause a like reversion of general fund. To the extent that the vital statistics account balance exceeds \$10,000 at fiscal year-end 1988 and 1989, it must cause a like reversion of general fund.

Budget: Operating expenses rise 25.85 percent from fiscal 1986 to fiscal 1988 for the following reasons: 1) The bureau must train registrars in the use of new vital statistics forms in fiscal 1988. The forms are updated every ten years. As a result, \$8,878 has been added in fiscal 1988 to accomplish this task; 2) maintenance contracts on computer equipment purchased in fiscal 1986 were increased by \$2,000; 3) indirect costs of \$9,498 in fiscal 1988 and \$7,850 in fiscal 1989 were added. In addition, \$2,700 for the biennial cancer data report in Tumor Registry was added in fiscal 1989. Equipment consists of software and a microfilm reader/printer.

Funding: General fund is reduced 9.80 percent, as the bureau had one-time equipment purchases in fiscal 1986 of \$28,857. State special revenue consists of vital statistics income from the sale of birth and death certificate copies, as well as other documents. Approximately \$20,000 of the fund balance of \$27,309 at fiscal year-end 1986 is incorporated in fiscal 1988. Federal revenue consists of National Center for Health Statistics funds of \$69,435 in fiscal 1988 and fiscal 1989.



AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

LEGISLATIVE ACTION

PROGRAM: CHEMISTRY LAB BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	6.00	6.00	6.00	0.00		6.00	6.00	0.00		0.00
Personal Services	\$175,410	\$178,169	\$178,282	\$113		\$178,841	\$178,958	\$117		1.64
Operating Expenses	60,107	86,447	86,447	0		87,971	87,971	0		43.82
Equipment	35,552	83,300	83,300	0		0	0	0		134.30
TOTAL EXPENSES	\$271,069	\$347,916	\$348,029	\$113		\$266,812	\$266,929	\$117		28.39
FUNDING										
General Fund	\$ 81,728	\$ 82,844	\$ 82,957	\$113		\$ 83,576	\$ 83,693	\$117		1.50
State Special Revenue	189,341	265,072	265,072	0		183,236	183,236	0		40.00
TOTAL FUNDING	\$271,069	\$347,916	\$348,029	\$113		\$266,812	\$266,929	\$117		28.39

Program Description: The Chemistry Laboratory provides analytical and consulting services to various divisions within the department of health and other state agencies and conducts tests for private air and water samples.

Budget: Operating expenses rise 43.82 percent for the following reasons: 1) \$2,000 has been added to allow for proper disposal of hazardous wastes; 2) laboratory supplies were increased \$3,410; 3) maintenance contracts were increased \$2,424 each year; and 4) indirect costs add \$16,085 in fiscal 1988 and \$16,145 in fiscal 1989. Inflation of laboratory supplies adds an additional \$2,118 in fiscal 1988 and \$3,722 in fiscal 1989. The remainder of the increase is primarily due to rent adjustments.

Equipment consists of an atomic absorption spectrophotometer, a leak detector, and two strip chart recorders.

Funding: State special revenue consists of fees from tests performed in this laboratory and water test fees of the Microbiology Laboratory. Fees provide one-third of the operational costs of the laboratory and 100 percent of the funding of the equipment. The following table shows income and disbursements from the laboratory fees account. The water test fee account is shown on page B-18.

Table 6  
Laboratory Fees Account - Revenue and Disbursements

	<u>1987 Biennium</u>	<u>1989 Biennium</u>
Beginning Balance	\$102,264	\$ -0-
Revenue		
Fees and Other Charges	<u>339,909</u>	<u>320,408</u>
Total Revenue	\$339,909	\$320,408
Total Funds Available	\$442,173	\$320,408
Disbursements		
Chemistry Lab	\$383,256	\$262,408
Microbiology Lab	-0-	58,000
Administration	<u>59,075</u>	<u>-0-</u>
Total Disbursements	\$442,331	\$320,408
Adjustments	<u>158</u>	<u>-0-</u>
Year-End Balance	\$ -0- =====	\$ -0- =====

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

LEGISLATIVE ACTION

PROGRAM: MICROBIOLOGY LAB BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	11.50	13.50	14.50	1.00	13.50	14.50	1.00	3.00
Personal Services	\$281,602	\$325,788	\$348,848	\$ 23,060	\$327,034	\$350,064	\$23,030	23.88
Operating Expenses	123,763	167,731	235,739	68,008	167,777	185,828	18,051	90.48
Equipment	56,900	63,500	57,500	(6,000)	6,000	0	(6,000)	1.05
TOTAL EXPENSES	\$462,265	\$557,019	\$642,087	\$ 85,068	\$500,811	\$535,892	\$35,081	38.90
FUNDING								
General Fund	\$338,678	\$211,405	\$246,473	\$ 35,068	\$209,843	\$244,924	\$35,081	-27.22
State Special Revenue	90,729	290,959	340,959	50,000	235,134	235,134	0	275.80
Federal Revenue	32,858	54,655	54,655	0	55,834	55,834	0	66.34
TOTAL FUNDING	\$462,265	\$557,019	\$642,087	\$ 85,068	\$500,811	\$535,892	\$35,081	38.90

Program Description: The Microbiology Laboratory provides testing, consultation, and coordination for disease control and environmental programs, and approves and certifies laboratories within the state.

Language in Bill: The appropriation contains a state special revenue contingency fund for supplies and communications costs in excess of \$99,258 in fiscal 1988 and \$100,974 in fiscal 1989 caused by additional reimbursable services in the microbiology and chemistry laboratories. The appropriation includes general fund of \$70,000 for AIDS testing only. If federal funds become available for laboratory testing of AIDS, it will cause a like reversion to the general fund.

Budget: Two FTE previously in the Support Services Bureau are now included in the laboratory, as the FTE had provided support services to the lab prior to reorganization of the department. A 1.0 FTE microbiologist III position was added due to increased workload caused by increased AIDS testing.

Operating expenses rise 90.48 percent from fiscal 1986 to fiscal 1988 for the following reasons: 1) a \$50,000 contingency was added to allow the department sufficient authority to expend fees collected for laboratory tests as may be needed; 2) \$6,000 was added each year for AIDS kits; 3) communications and freight expenses totaling \$14,054 were moved to the lab from support services, as the expenses were incurred in administration of the lab in fiscal 1986; 4)



indirect costs total \$22,837 in fiscal 1988 and \$22,984 in fiscal 1989; 5) \$3,000 was added to allow the lab to contract for laboratory proficiency tests, a service formerly provided free of charge by the federal government; 6) maintenance contracts were increased \$8,900; 7) supplies were increased \$3,000; 8) \$17,028 in contracts for PKU testing that the lab is now performing were deleted; and 9) \$12,008 in fiscal 1988 and \$12,051 in fiscal 1989 for AIDS testing supplies were added.

Equipment includes a glassware washer, an autoclave, a sonifier, a water bath, and a tissue culture microscope. All equipment is funded with water test fees.

**Funding:** General fund declines 27.22 percent, as general fund totaling \$120,949 was expended in fiscal 1986 for PKU testing. The PKU testing is now completely supported by PKU fees. General fund totaling \$35,000 was added each year due to increased AIDS testing.

State special revenue consists of PKU testing fees totaling \$107,222 in fiscal 1988 and \$109,075 in fiscal 1989, water test fees in the laboratory totaling \$204,737 in fiscal 1988 and \$97,059 in fiscal 1989, and other lab income totaling \$29,000 each year. The following table shows revenue and disbursements from the water test fee account. Water test fees income in fiscal 1988 and 1989 includes handling fee income.

Table 7  
Microbiology Laboratory Revenue and Disbursements

	<u>1987 Biennium</u>	<u>1989 Biennium</u>
Beginning Balance	\$105,567	\$149,687
Revenue		
Fees and Other Charges	<u>237,514</u>	<u>338,009</u>
Total Revenue	\$237,514	\$338,009
Total Funds Available	\$343,081	\$487,696
Disbursements		
Chemistry Lab	\$ -0-	\$185,900
Microbiology Lab	159,749	301,796
Administration	<u>33,645</u>	<u>-0-</u>
Total Disbursements	\$193,394	\$487,696
Year-End Balance	<u>\$149,687</u>	<u>\$ -0-</u>

Federal revenue consists of Preventive Health Block Grant.

Difference from Executive: The difference between the appropriation and the executive budget is due to two factors: 1) the addition by the legislature of a biennial \$50,000 contingency, funded with laboratory fees, to allow the department sufficient authority to collect fees on laboratory tests as may be needed; and 2) the addition of a biennial appropriation of \$70,000 of general fund for increased AIDS testing activities, including 1.0 FTE microbiologist position and operating expenses.

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

LEGISLATIVE ACTION

PROGRAM: ENVIRONMENTAL SCIENCES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	3.00	2.50	2.50	0.00	2.50	2.50	0.00	-0.50
Personal Services	\$ 99,068	\$ 97,116	\$ 97,226	\$110	\$ 97,161	\$ 97,270	\$109	-1.86
Operating Expenses	19,644	124,010	124,010	0	23,991	23,991	0	531.29
TOTAL EXPENSES	\$118,712 =====	\$221,126 =====	\$221,236 =====	\$110 =====	\$121,152 =====	\$121,261 =====	\$109 =====	86.36 =====
STATE SPECIAL REVENUE	\$118,712 =====	\$221,126 =====	\$221,236 =====	\$110 =====	\$121,152 =====	\$121,261 =====	\$109 =====	86.36 =====

Program Description: This office is responsible for overall administration, management, and coordination support of the Environmental Sciences Division.

Budget: A 0.5 FTE secretary was transferred to the Occupational Health Bureau, as the secretarial position in that bureau was deleted in response to the legislature's elimination of fiscal 1987 pay plan funding and the Special Session III budget cuts.

The rise in operating expenses of 531.29 percent is due to the inclusion of a biennial appropriation of \$100,000 to respond to emergencies caused by the uncontrolled release of hazardous materials into the environment, prepare environmental impact statements (EIS) and variance reviews, and conduct major facility siting act functions. The increase is to be funded with monies collected by the department from parties responsible for the uncontrolled release of hazardous materials for which the department must respond and with all fees collected for EIS and variance reviews. Indirect charges total \$13,151 in fiscal 1988 and \$13,157 in fiscal 1989. All operating expenses of the Champion International environmental impact statement totaling \$8,135 in fiscal 1986 have been deleted.

Funding: This office is funded from three sources: 1) monies collected from parties responsible for the uncontrolled release of hazardous materials and from EIS and variance review fees, totaling \$100,000 for the biennium, 2) junk vehicle funds, totaling \$60,618 in fiscal 1988 and \$60,630 in fiscal 1989, and 3) Resource Indemnity Trust (RIT) interest funds totaling \$60,618 in fiscal 1988 and \$60,631 in fiscal 1989. The RIT funds are part of the department's statutory allocation of 6 percent of the interest from the account.



LEGISLATIVE ACTION

PROGRAM: SOLID WASTE BUREAU

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	21.00	26.50	26.50	0.00	26.50	26.50	0.00	5.50
Personal Services	\$ 461,859	\$ 715,757	\$ 715,980	\$ 223	\$ 715,830	\$ 716,077	\$ 247	55.02
Operating Expenses	1,246,751	5,903,654	5,901,849	(1,805)	7,017,207	7,020,402	3,195	373.38
Equipment	18,767	53,741	54,910	1,169	8,729	9,885	1,156	192.59
Non-Operating	629,613	785,616	785,616	0	803,630	803,630	0	24.78
TOTAL EXPENSES	\$2,356,990	\$7,458,768	\$7,458,355	\$ (413)	\$8,545,396	\$8,549,994	\$4,598	216.44
FUNDING								
General Fund	\$ 75,856	\$ 75,713	\$ 75,734	\$ 21	\$ 75,289	\$ 76,181	\$ 892	-0.16
State Special Revenue	978,626	1,277,021	1,280,360	3,339	1,208,343	1,212,055	3,712	30.83
Federal Revenue	1,302,508	6,106,034	6,102,261	(3,773)	7,261,764	7,261,758	(6)	368.50
TOTAL FUNDING	\$2,356,990	\$7,458,768	\$7,458,355	\$ (413)	\$8,545,396	\$8,549,994	\$4,598	216.44

Program Description: This bureau is responsible for licensing, inspection, and enforcement duties concerning the 200 waste disposal sites in the state; enforcing federal and state hazardous waste statutes; and administering the junk vehicle recycling program. The bureau consists of the Solid Waste, Junk Vehicle Recycling, Hazardous Waste, Underground Storage Tank and Superfund Programs.

Budget: A 1.0 FTE environmental specialist was added in fiscal 1987 to the Underground Storage Tank Program and is maintained in the 1989 biennium. A 1.0 FTE environmental specialist and a 0.50 FTE lawyer were added to the Underground Storage Tank Program, and a 0.50 lawyer, a 0.50 FTE administrative aide, a 1.0 FTE information officer and a 1.0 FTE accountant and were added to the Superfund Program in modified budgets. The rise in personal services of 55 percent is due to vacancy savings of \$138,844, as several positions were vacant all or part of the year and 2.0 Underground Storage Tank Program FTE were not hired until late in the fiscal year, and to the expansion in FTE.

Operating expenses rise 373.38 percent for the following reasons: 1) Junk Vehicle Program - \$100,000 in junk vehicle funds were added each year as a contingency should the price of scrap metal fall and the department have to

pay to remove excess junk vehicles from graveyards, and \$15,000 was added for public service announcements in fiscal 1988; 2) Hazardous Waste Program - lab fees were increased \$7,951, while one-time consultant fees and contracts were reduced \$42,608; 3) Underground Storage Tank Program - \$59,745 was added in fiscal 1988 and \$44,745 in fiscal 1989; the program was begun in fiscal 1986 and is entering the on-going field investigations phase. A modified to expand the program adds \$6,166 in fiscal 1988 and \$6,158 in fiscal 1989; 4) Superfund was increased by \$432,666 in fiscal 1988 and \$442,308 in fiscal 1989 in response to anticipated increased activities. A modified to expand the Superfund Program totaled \$4,041,751 in fiscal 1988 and \$5,241,148 in fiscal 1989. In addition, 1) \$60,000 was added over the biennium as a contingency in the event of an emergency involving hazardous waste and for pre-CERCLA activities; 2) indirect costs added \$72,994 in fiscal 1988 and \$73,023 in fiscal 1989; and 3) \$115,000 expended in fiscal 1986 for the hazardous waste transfer station was removed from the base.

Equipment consists of the following: 1) Solid Waste Program - \$868 for a typewriter in fiscal 1989; 2) Junk Vehicle Program - \$868 for a typewriter and \$300 for office equipment in fiscal 1988 and \$288 for office equipment in fiscal 1989; 3) Superfund - \$6,226 for computers, \$400 for a camera, \$2,000 for field monitoring equipment, and \$1,000 for software in fiscal 1988. The Superfund modified budget adds \$8,611 in fiscal 1988 for miscellaneous equipment, including field monitoring equipment; 4) Hazardous Waste - \$5,400 in field monitoring equipment and \$1,367 in office equipment in fiscal 1988 and \$7,381 in office equipment in fiscal 1989; and 5) Underground Storage Tanks - \$8,503 for office equipment, \$19,200 for field monitoring equipment, and \$239 for software in fiscal 1988 and \$1,348 for office equipment in fiscal 1989. The Underground Storage Tank modified budget adds miscellaneous office equipment totaling \$795 in fiscal 1988.

Grants are made to counties to reimburse them for the costs of county vehicle graveyard upkeep, and represent the full amount the counties are entitled to by law. The grants are funded with state junk vehicle fees.

Funding: General fund provides 100 percent of the funding of the Solid Waste Program.

State special revenue consists of two funds: 1) junk vehicle funds, which provide 100 percent of the funding of the Junk Vehicle Recycling Program; and 2) Resource Indemnity Trust (RIT) interest funds. RIT interest funds provide the necessary 25 percent state match on federal Environmental Protection Agency underground storage tanks (UST) and hazardous waste funds. RIT will also be used to match Superfund monies in the 1989 biennium. However, no funds have been appropriated for this purpose, as House Bill 777 increases the department's share of RIT interest to 12 percent from the current 6 percent for superfund match, as well as other activities, and the department will budget amend these funds as needed. Included in the appropriation is \$60,000 over the biennium for emergencies involving hazardous waste and for pre-CERCLA activities.

Federal revenue consists of three funds: 1) EPA hazardous waste funds, which provide 75 percent of the funding of the Hazardous Waste Program, 2) EPA underground storage tank funds, which provide 75 percent of the funding of the Underground Storage Tank Program, and 3) EPA Superfund, which completely funds the appropriated Superfund Program. Superfund requires a state match, the level of which depends on the stage the work is in, and ranges from 100 percent federal in the investigatory stage, 90 percent federal and 10 percent state in the cleanup stage, unless the site is state owned, when the state must pay 50 percent of costs, to 100 percent state responsibility in the maintenance stage. All Superfund appropriated will be used for those Superfund activities which do not require a state match.



The following table illustrates each program and its 1989 biennium funding, including modified budgets.

Table 8  
Solid and Hazardous Waste Bureau - Funding  
Fiscal Years 1986, 1988, and 1989

<u>Program/Fund</u>	<u>Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Solid Waste			
General Fund	\$ 75,855	\$ 75,734	\$ 76,181
Junk Vehicle			
Junk Vehicle	\$ 781,890	\$1,067,374	\$1,069,458
Underground Storage Tanks			
RIT Interest	\$ -0-	\$ 57,464	\$ 46,823
Junk Vehicle	1,581	-0-	-0-
EPA UST	<u>21,477</u>	<u>172,395</u>	<u>140,468</u>
Total Program	\$ 23,058	\$ 229,859	\$ 187,291
Hazardous Waste			
RIT Interest	\$ 77,453	\$ 95,522	\$ 95,775
EPA Hazardous Waste	<u>231,251</u>	<u>286,561</u>	<u>287,324</u>
Total Program	\$ 308,704	\$ 382,086	\$ 383,099
Superfund			
RIT Interest	\$ 2,700	\$ 60,000	\$ -0-
EPA Superfund	<u>1,049,773</u>	<u>5,643,302</u>	<u>6,833,965</u>
Total Program	<u>\$1,052,473</u>	<u>\$5,703,302</u>	<u>\$6,833,965</u>
TOTAL BUREAU*	<u>\$2,241,980</u>	<u>\$7,458,355</u>	<u>\$8,549,994</u>

\*The balance of the fiscal 1986 expenditures of \$115,000 were expended for the hazardous waste transfer station.



The following table illustrates anticipated Resource Indemnity Trust interest funds and the appropriated fiscal 1988 and 1989 levels. The balance of RIT interest would be used to provide Superfund match. These funds would be budget amended as needed per House Bill 777.

Table 9  
Department of Health - Resource Indemnity Trust Interest

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Revenue	\$395,783	\$425,297
Disbursements		
Division Administration	\$ 60,618	\$ 60,631
Underground Storage Tanks	57,464	46,823
Hazardous Waste	95,522	95,775
Pre-CERCLA (Biennial)	60,000	-0-
Total Disbursements	<u>\$273,604</u>	<u>\$203,229</u>
Increase in Fund Balance	<u>\$122,179</u>	<u>\$222,068</u>

Table 10 on the following page shows revenues and disbursements of the junk vehicle account.

A \$100,000 contingency should the price of steel fall to a level where the department would have to pay to remove excess vehicles from graveyards is not included in Table 10 in fiscal 1988 or 1989, as these funds have never been used for this purpose, and would not accurately reflect anticipated expenditures. In addition, grants appropriated represent the maximum potential liability of the department. The highest grants paid occurred in fiscal 1985, when the department expended \$705,823. The fiscal 1987 expenditures shown in the table represent an estimate of actual expenditures. The fiscal 1987 appropriation, including the \$500,000 transfer to the general fund, totals \$1,568,285, including the unexpended portion of the biennial underground storage tank program appropriation.

Table 10  
Junk Vehicle Account

	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989
Beginning Balance	\$1,544,825	\$1,437,904	\$701,551	\$369,259
Revenues				
Wrecking Facilities	\$ 10,687	\$ 10,700	\$ 10,700	\$ 10,700
JV Fee Transfer	267,724	270,000	270,000	270,000
JV Fee Rereg.	354,819	355,000	355,000	355,000
Sale of JV	82,666	60,000	60,000	60,000
Adjustments	(26)	-0-	-0-	-0-
Total Funds Available	\$2,260,695	\$2,133,604	\$1,397,251	\$1,064,959
Disbursements				
Junk Vehicle	\$ 152,277	\$ 155,000	\$ 181,758	\$ 165,828
JV Grants	629,613	700,000	785,616	803,630
Env. Sci. Administration	53,395	57,053	60,618	60,630
Transfer to General Fund	-0-	500,000	-0-	-0-
Underground Storage Tanks	1,581	20,000	-0-	-0-
Adjustments	(14,075)	-0-	-0-	-0-
Total Disbursements	\$ 822,791	\$1,432,053	\$1,027,992	\$1,030,088
Ending Balance	<u>\$1,437,904</u>	<u>\$ 701,551</u>	<u>\$ 369,259</u>	<u>\$ 34,871</u>

Modifieds Approved:

1. Underground Storage Tanks - Funds to expand the Underground Storage Tank Program, including 1.5 FTE, are included. The expansion is funded with \$11,989 in fiscal 1988 and \$11,775 in fiscal 1989 of RIT interest and \$35,969 in fiscal 1988 and \$35,326 in fiscal 1989 of EPA underground storage tank funds.

2. Superfund - 3.0 FTE each year, including a 0.50 FTE attorney, a 0.50 FTE administrative aide, a 1.0 FTE information officer, and a 1.0 FTE accountant II plus operating expenses to expand the Superfund Program are included. The expansion is funded with \$4,127,181 in fiscal 1988 and \$5,317,841 in fiscal 1989 of EPA Superfund.

Difference from Executive: The difference between the executive and the appropriation is due to the addition of \$200,000 in RIT funds to pursue the Natural Resources lawsuit.

LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

PROGRAM: AIR QUALITY BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	19.50	18.50	18.52	0.02	18.50	18.52	0.02	-0.98
Personal Services	\$560,960	\$544,296	\$ 550,779	\$ 6,483	\$543,719	\$ 550,209	\$ 6,490	-1.81
Operating Expenses	220,095	301,745	321,100	19,355	302,959	322,299	19,340	45.89
Equipment	1,609	36,310	36,310	0	35,960	35,960	0	2156.68
Non-Operating	99,000	101,291	101,291	0	101,291	101,291	0	2.31
TOTAL EXPENSES	\$881,664	\$983,642	\$1,009,480	\$25,838	\$983,929	\$1,009,759	\$25,830	14.50
FUNDING								
General Fund	\$317,520	\$320,657	\$ 345,657	\$25,000	\$320,657	\$ 345,657	\$25,000	8.86
State Special Revenue	545	0	0	0	0	0	0	-100.00
Federal Revenue	563,599	662,985	663,823	838	663,272	664,102	830	17.78
TOTAL FUNDING	\$881,664	\$983,642	\$1,009,480	\$25,838	\$983,929	\$1,009,759	\$25,830	14.50

**Program Description:** The Air Quality Bureau is responsible for maintaining outdoor air quality levels considered safe to the public health and welfare through permit review, inspections, monitoring, and information dissemination.

**Budget:** A vacant 1.0 FTE environmental program supervisor position was deleted due to the legislature's elimination of fiscal 1987 pay plan funding and Special Session III budget cuts. An aggregate 0.02 FTE position was added due to an Internal Revenue Service opinion that the work previously done by contract must be done by an FTE of the department.

Operating expenses rise 45.89 percent due to a number of factors: 1) consultant fees were raised \$14,161 each year to operate the statewide ambient air monitoring network and the smoke management program, and to monitor permit compliances; 2) laboratory fees were raised \$9,522; 3) clinic and seminar expenses were raised \$1,050; 4) data processing was raised \$2,809; 5) field monitoring supplies were raised \$3,321; 6) indirect costs totaling \$49,749 in fiscal 1988 and \$49,426 in fiscal 1989 were added; 7) contract services were reduced \$6,184 in fiscal 1988 and \$6,200 in fiscal 1989 as these services will be performed by the added 0.02 FTE; and 8) House Bill S78 adds \$25,000 in each fiscal 1988 and fiscal 1989 for the establishment and operation of air quality monitoring stations in Yellowstone County.



Equipment includes an automobile each year for \$8,652 in fiscal 1988 and \$8,965 in fiscal 1989, computer equipment and software at \$4,296 in fiscal 1988 and \$2,675 in fiscal 1989, field monitoring equipment totaling \$23,139 in fiscal 1988 and \$23,165 in fiscal 1989, and office equipment of \$223 in fiscal 1988 and \$1,155 in fiscal 1989.

Non-operating costs are grants made to counties with qualified programs to monitor their air quality. The department currently contracts with Yellowstone, Missoula, and Cascade counties.

Funding: General fund provides the maintenance of effort for Environmental Protection Agency air quality funds. The state must maintain the prior year's expenditure level. The amount appropriated for this purpose totals \$320,657 each year and represents the fiscal 1987 appropriated amount. In addition, \$25,000 is appropriated in each fiscal 1988 and fiscal 1989 to implement House Bill 878.

Federal revenue comes from two sources: 1) Department of State Lands, totaling \$37,879 in fiscal 1988 and \$37,840 in fiscal 1989, which fund a 1.0 FTE position, and 2) EPA air quality, totaling \$625,944 in fiscal 1988 and \$626,262 in fiscal 1989.

Difference from Executive: The difference between the appropriation and the executive budget is due to the 0.02 FTE aggregate position and related personal services costs added and operating expenses reduced due to the Internal Revenue Service opinion concerning current contracted work, and the addition of funds for the implementation of House Bill 878.

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

LEGISLATIVE ACTION

PROGRAM: OCCUPATIONAL HEALTH BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	5.00	3.50	3.50	0.00		3.50	3.50	0.00		-1.50
Personal Services										
Operating Expenses	\$123,114	\$122,215	\$122,308	\$ 93		\$122,087	\$122,178	\$ 91		-0.65
Equipment	35,365	37,571	37,558	(13)		37,472	37,858	386		6.20
	1,225	1,125	1,125	0		0	0	0		-8.16
TOTAL EXPENSES	\$159,704	\$160,911	\$160,991	\$ 80		\$159,559	\$160,036	\$477		0.81
GENERAL FUND	\$159,704	\$160,911	\$160,991	\$ 80		\$159,559	\$160,036	\$477		0.81

Program Description: This bureau is responsible for administering the Radiological and Occupational Health Programs. Primary emphasis is on the inspection of x-ray machines and the provision of measurement and technical expertise to ensure safety in homes and workplaces.

Budget: A 1.0 FTE x-ray inspector position added by the 1985 legislature and never filled by the department was deleted. A 1.0 FTE secretarial position was deleted due to the legislature's elimination of fiscal 1987 pay plan funding and Special Session III budget cuts. In response, 0.5 FTE of the secretarial position currently in the Administration office has been transferred to this bureau.

Operating expenses rise 6.20 percent due to three factors: 1) consultant fees for a contracted librarian position were raised \$225 due to the loss of a 0.5 FTE secretary; 2) \$800 was added to allow the bureau to contract for laboratory proficiency tests previously provided by the federal government free of charge; and 3) maintenance contracts on equipment purchased in fiscal 1986 were increased by \$400.

Equipment consists of an Anderson microbial impactor.

LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

PROGRAM: WATER QUALITY BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	40.25	41.00	41.00	0.00	40.75	40.75	0.00	0.75
Personal Services	\$1,118,913	\$1,181,918	\$1,182,629	\$ 711	\$1,178,820	\$1,179,577	\$ 757	5.69
Operating Expenses	477,743	794,646	794,644	(2)	792,583	792,581	(2)	66.33
Equipment	23,317	25,154	25,155	1	10,848	10,848	0	7.88
Non-Operating	113,035	124,233	124,233	0	128,797	128,797	0	9.91
TOTAL EXPENSES	\$1,733,008	\$2,125,951	\$2,126,661	\$ 710	\$2,111,048	\$2,111,803	\$ 755	22.72
FUNDING								
General Fund	\$ 374,963	\$ 468,442	\$ 461,655	\$ (6,787)	\$ 467,102	\$ 460,825	\$ (6,277)	23.12
State Special Revenue	65,979	96,613	96,620	7	100,313	100,320	7	46.44
Federal Revenue	1,285,666	1,560,896	1,568,386	7,490	1,543,633	1,550,658	7,025	21.99
Other Revenue	6,400	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$1,733,008	\$2,125,951	\$2,126,661	\$ 710	\$2,111,048	\$2,111,803	\$ 755	22.72

**Program Description:** The Water Quality Bureau is responsible for maintaining water quality standards and enforcing water quality statutes in the state. It consists of the Subdivision Review, Water and Wastewater Operator, Water Pollution Control, Groundwater Pollution Control, Permit Review, Water Quality Management, Safe Drinking Water, and Construction Grants Programs.

**Budgets:** A vacant 1.0 FTE environmental specialist position in the Safe Drinking Water Program was deleted. However, a 1.0 FTE environmental specialist position was added for giardia work, as the Internal Revenue Service had given the opinion that the individual previously under contract for giardia studies was under control of the department. A 0.50 FTE data entry operator in fiscal 1988 only to complete water permit activities begun by budget amendment in fiscal 1987, and a 0.25 FTE certification specialist to increase the current FTE in the Water and Wastewater Operators Program in fiscal 1988 and an additional 0.25 FTE certification specialist in fiscal 1989 were added in modified budgets.

Operating expenses rise 66.33 percent as the net result of the following actions: 1) the Groundwater Pollution Control Program was increased \$27,100, primarily in consultant fees, in anticipation of a higher level of activity; 2) the



Water Pollution Control Program was increased \$19,502 in anticipation of increased activity; 3) the Water Permits Program was raised \$11,841 in anticipation of increased activities; 4) \$1,116 was added to the Water and Wastewater Operators Program for travel of the Water and Wastewater Operators Advisory Council; 5) \$8,665 was added to the Construction Grants Program in anticipation of increased activities; 6) indirect costs of \$115,040 in fiscal 1988 and \$115,243 in fiscal 1989 were added; 7) consultant fees and contracts totaling \$26,708 were deleted from the Safe Drinking Water Program to fund the expansion in FTE, while \$7,615 was added for the additional position; 8) \$121,512 in expenses associated with the Clark Fork and RIT funded instream flow studies were deleted, as both were special projects in the 1987 biennium; 9) a modified budget to expand the Safe Drinking Water Program adds \$266,667 in fiscal years 1988 and 1989; 10) a modified to complete a permit tracking project adds \$1,090 in fiscal 1988; and 11) a modified to expand the Water and Wastewater Operators Program totals \$6,427 in fiscal 1988 and \$7,163 in fiscal 1989.

Equipment consists of the following: 1) Water Quality Management Program - field monitoring equipment of \$1,500 in fiscal 1989, and \$2,148 for a computer and software in fiscal 1988 and \$148 for software in fiscal 1989; 2) Construction Grants - \$2,400 for a computer and software and \$300 in field monitoring equipment in fiscal 1988, and \$500 for a printer, \$300 in field monitoring equipment, and \$500 for software in fiscal 1989; 3) Water Pollution Control - \$654 for office equipment, \$800 for computer enhancements, \$300 for software and \$2,326 for this program's share of a vehicle in fiscal 1988; 4) Safe Drinking Water - \$4,326 for this program's share of a vehicle in fiscal 1988; 5) Groundwater Pollution Control - \$400 in office equipment, \$2,000 for a computer, and \$5,000 for the lease or purchase of a vehicle in fiscal 1988, and \$2,500 for field monitoring equipment and \$5,000 for the lease or purchase of a vehicle in fiscal 1989; 6) Water Permits - \$2,000 for this program's share of a vehicle in fiscal 1988 and \$400 for field monitoring supplies in fiscal 1989; and 7) Water and Wastewater Operators - \$2,500 in computer equipment in fiscal 1988.

Grants are made in three programs: 1) Safe Drinking Water grants are made to local entities to perform sanitary surveys and to collect water samples at public water systems. The grants were reduced by \$4,000 to partially fund the additional FTE in that program in fiscal 1988, and total \$24,233 in fiscal 1988 and \$28,797 in fiscal 1989, compared with a fiscal 1986 total of \$28,665; 2) Construction Grants Program grants are made to local governments to begin water system planning and design in advance of federal program reimbursement, and total \$40,000 each year, compared with a fiscal 1986 total of \$35,120; and 3) Subdivision grants are made to reimburse local governments with qualified personnel for minor subdivision review and total \$60,000 each year, compared with a fiscal 1986 total of \$42,850. Grants made for an Upper Yellowstone River study of \$6,400 were deleted.

#### Modifieds Approved:

1. Permit Tracking - 0.5 FTE and \$9,426 in federal 106 funds to allow the bureau to expend the balance of a federal grant approved by budget amendment in fiscal 1987 to automate water permits are included.
2. Water and Wastewater Operators - 0.25 FTE in fiscal 1988 and an additional 0.25 FTE certification specialist in fiscal 1989 are included to raise the current FTE to 1.0 by fiscal 1989. The additional FTE are funded with wastewater operators fees totaling \$11,899 in fiscal 1988 and \$18,110 in fiscal 1989.
3. Wellhead Protection - Contracted services totaling \$266,667 each year to begin establishment of a program to prevent contamination of public water supplies is included, funded with \$66,667 of general fund and \$200,000 of EPA safe drinking water funds each year. It is the intent of the legislature that the department expend only that general fund that is required to match federal funds received for this purpose.

Funding: General fund is used for the following functions: 1) total support of the operating costs of the Subdivisions Program, totaling \$139,098 in fiscal 1988 and \$139,240 in fiscal 1989; 2) the required 25 percent match on federal safe drinking water funds in that program, totaling \$96,213 in fiscal 1988 and \$96,277 in fiscal 1989; 3) partial funding of the Water Quality Management Program, totaling \$74,291 in fiscal 1988 and \$73,255 in fiscal 1989; and 4) maintenance of effort on federal 106 funds used to support the Water Pollution Control, Groundwater Pollution Control, and Water Permits Programs. The state must maintain the fiscal 1980 level of expenditure of \$85,386 each year. The state must also maintain this level to receive any federal 205(g) funds, which support the Construction Grants Program. General fund rises 23.12 percent due to increases in the Subdivisions Program, and to the Wellhead Protection modified budget.

State special revenue is used for two functions: 1) Subdivisions Review Program grants to local entities for minor subdivision review, totaling \$60,000 each year, and 2) total support of the Water and Wastewater Operators Program totaling \$36,620 in fiscal 1988 and \$40,320 in fiscal 1989. These funds are annual license fees paid by local wastewater operators.

Federal funds are listed on the following table.

Table 11

Federal Funds - Water Quality Bureau- Fiscal Years 1986, 1988, and 1989

<u>Fund/Program</u>	<u>Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
EPA 106			
Water Pollution Control	\$ 234,632	\$ 305,795	\$ 300,961
Groundwater Pollution Control	71,219	104,286	103,734
Water Permits	133,406	167,594	156,119
Total	\$ 439,257	\$ 577,675	\$ 560,814
EPA Safe Drinking Water			
Safe Drinking Water	\$ 290,983	\$ 516,739	\$ 516,929
EPA 205(g) - Construction Grants	\$ 298,019	\$ 357,345	\$ 356,756
EPA 205(j) - Water Quality Management	\$ 106,864	\$ 100,000	\$ 100,000
State Lands* - Water Quality Management	\$ -0-	\$ 16,627	\$ 16,159
BUREAU TOTAL	<u>\$1,135,123**</u>	<u>\$1,568,386</u>	<u>\$1,550,658</u>

\* Provides funding for 1.0 FTE.

\*\*Remainder of the bureau's federal funds in fiscal 1986 consisted of Cabin Creek totaling \$39,838, Instream Flow totaling \$16,767, and Clark Fork study funds totaling \$93,938.



AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

LEGISLATIVE ACTION

PROGRAM: FOOD AND CONSUMER SAFETY BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	9.00	8.00	8.00	0.00	8.00	8.00	0.00	-1.00
Personal Services	\$255,366	\$259,001	\$259,204	\$ 203	\$258,716	\$258,921	\$ 205	1.50
Operating Expenses	51,982	51,994	51,994	0	51,944	51,946	2	0.02
Equipment	1,839	327	327	0	327	327	0	-82.22
Non-Operating	203,796	207,000	250,000	\$43,000	208,000	250,000	42,000	22.67
TOTAL EXPENSES	\$512,983	\$518,322	\$561,525	\$43,203	\$518,987	\$561,194	\$42,207	9.46
FUNDING								
General Fund	\$309,187	\$311,322	\$311,525	\$ 203	\$310,987	\$311,194	\$ 207	0.76
State Special Revenue	203,796	207,000	250,000	43,000	208,000	250,000	42,000	22.67
TOTAL FUNDING	\$512,983	\$518,322	\$561,525	\$43,203	\$518,987	\$561,194	\$42,207	9.46

Program Description: The Food and Consumer Safety Bureau is responsible for issuing licenses to food establishments, hotels, motels and trailer parks, and for providing training and support services to local health inspectors.

Language in Bill: The appropriation includes \$250,000 each year for license fees to pay local boards of health for inspections of food establishments, accommodations and camping facilities. No funds may be transferred out of this item. If the authority is inadequate to reimburse local boards, a budget amendment may be requested.

Budget: A vacant 1.0 FTE sanitarian position was deleted due to fiscal 1987 pay plan funding and budget cuts. Equipment consists of chairs. Grants are made to local health departments to offset the costs of inspections.

Funding: General fund supports the operations of the program. All grants are funded with license fees. All licensed establishments pay an annual fee of \$30, of which 85 percent is deposited into the local boards inspection account to grant to local health departments and the balance to the general fund.

Difference from Executive: The difference between the appropriation and the executive budget is the additional authority for grants to local boards of health approved by the legislature. The department of health must transfer 85 percent of all license fees received. The additional authority is designed to ensure that adequate authority exists to transfer all fees as required by law.



AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

LEGISLATIVE ACTION

PROGRAM: HEALTH PLANNING DIVISION ADMINISTRATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	1.90	2.50	2.50	2.50	2.50	0.60
Personal Services	\$66,867	\$ 98,575	\$ 98,863	\$ 98,771	\$ 98,950	47.85
Operating Expenses	2,677	4,751	4,751	4,735	4,735	77.47
TOTAL EXPENSES	\$69,544 =====	\$103,326 =====	\$103,614 =====	\$103,506 =====	\$103,685 =====	48.99 =====
FUNDING						
General Fund	\$36,618	\$ 69,431	\$ 69,719	\$ 69,611	\$ 69,790	90.40
Federal Revenue	32,926	33,895	33,895	33,895	33,895	2.94
TOTAL FUNDING	\$69,544 =====	\$103,326 =====	\$103,614 =====	\$103,506 =====	\$103,685 =====	48.99 =====

Program Description: This office provides overall supervision to the Health Services and Medical Facilities Division.

Budget: This office's portion of a 1.0 FTE administrative clerk position, totaling 0.15 FTE, was deleted due to fiscal 1987 pay plan and budget cuts. A total of 0.75 FTE, including 0.25 of the division administrator position and 0.50 of an administrative officer position, were transferred to this office from the Health Planning Bureau via a modified budget.

Operating expenses rise 77.47 percent due to increases in out-of-state travel and rent allocations.

Modifieds Approved:

1. FTE Transfer - A total of 0.75 FTE currently in the Health Planning Bureau are moved to this office. Since the FTE had been partially federally funded in the Health Planning Bureau in fiscal 1988, and all federal funds have ended in that bureau, the positions are included in a modified budget. Total costs are \$33,468 in fiscal 1988 and \$33,522 in fiscal 1989 of general fund.

Funding: This office is funded with Maternal and Child Health Block Grant funds totaling \$10,168 in fiscal 1988 and fiscal 1989, Preventive Health Block Grant totaling \$23,727 each year, and with general fund. The rise in general fund is due to the transfer of 0.75 FTE from the Health Planning Bureau.

LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

PROGRAM: FAMILY/MATERNAL CHILD HEALTH

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	23.00	23.50	23.50	0.00	23.50	23.50	0.00	0.50
Personal Services	\$ 566,248	\$ 626,185	\$ 626,476	\$ 291	\$ 626,333	\$ 626,635	\$ 302	10.64
Operating Expenses	997,868	1,171,657	1,144,712	(26,945)	1,147,617	1,136,051	(11,566)	14.72
Equipment	45,071	25,396	12,510	(12,886)	103,056	90,170	(12,886)	-72.24
Non-Operating	9,528,884	7,473,917	9,973,917	2,500,000	7,677,120	10,177,121	2,500,001	4.67
TOTAL EXPENSES	\$11,138,071	\$9,297,155	\$11,757,615	\$2,460,460	\$9,554,126	\$12,029,977	\$2,475,851	5.56
FUNDING								
General Fund	\$ 40,132	\$ 69,794	\$ 30,635	\$ (39,159)	\$ 69,984	\$ 31,013	\$ (38,971)	-23.66
Federal Revenue	11,097,939	9,227,361	11,726,980	2,499,619	9,484,142	11,998,964	2,514,822	5.67
TOTAL FUNDING	\$11,138,071	\$9,297,155	\$11,757,615	\$2,460,460	\$9,554,126	\$12,029,977	\$2,475,851	5.56

Program Description: The Family/Maternal and Child Health Bureau has total administrative responsibility over the following programs: 1) Special Supplemental Food Program for Women, Infants, and Children (WIC), which provides food supplements to women of childbearing age and to children determined to be at nutritional risk; 2) Child Nutrition, which provides reimbursements to day-care providers for the costs of meals served; 3) Handicapped Children's Services (HCS), which provides medical payments to eligible families of children suffering certain handicapping conditions; and 4) Family Planning, which provides administrative assistance and grants to family planning offices throughout the state. The bureau is made up of elements from the previous Nursing and Clinical Bureaus.

Budget: A 0.5 FTE public health nurse position in the Family Planning Program was deleted at the department's request in order to purchase computers. A 1.0 FTE data entry operator was added in a modified budget for on-line WIC data entry.

Operating expenses rise 14.72 percent due to the following factors: 1) the Child Nutrition Program was expanded by \$40,853; 2) the WIC Program was reduced \$44,059 due to one-time expenditures in fiscal 1986; 3) the Family Planning Program was increased \$4,784 each year, primarily for clinic and seminar expenses; 4) the Handicapped

Children's Services Program was increased \$66,410 in fiscal 1988 and \$65,532 in fiscal 1989, primarily to allow more children to receive treatment; 5) indirect costs of \$54,524 in fiscal 1988 and \$54,522 in fiscal 1989 were added; and 6) a modified budget for on-line WIC data entry adds \$32,751 in fiscal 1988 and \$26,401 in fiscal 1989.

Equipment includes \$11,210 in fiscal 1988 and \$3,770 in fiscal 1989 for computer equipment and software and \$500 each year for films in the Family Planning Program, and \$800 each year for centrifuges and \$85,100 in computer equipment in fiscal 1989 to allow on-line data entry in the WIC Program.

The following table shows grants and benefits of the bureau.

Table 12  
Grants and Benefits - Family/Maternal and Child Health Bureau

<u>Grants</u>	<u>Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Grants to Counties	\$ 824,664*	\$ 662,587	\$ 667,245
Women, Infants and Children	1,079,025	1,192,061	1,192,061
Child Nutrition	2,270,164	2,500,000	2,500,000
Family Planning	917,786**	819,944	826,516
Total	\$5,091,639	\$5,174,592	\$ 5,185,822
<u>Benefits</u>			
Women, Infants and Children	4,437,245	4,799,325	4,991,299
Total Grants and Benefits	\$9,528,884	\$9,973,917	\$10,177,121

\* Includes a legislative appropriation of \$139,247.

\*\*Includes budget amendment of \$120,466.

Grants to counties are made from the Maternal and Child Health Block Grant for services to women and children at risk. WIC grants are made to local agencies to administer the WIC program. Child Nutrition grants are made to day-care providers to reimburse them for meals served. Family Planning grants, funded by Federal Title X and Maternal and Child Health and Preventive Health Block Grants, are made to local agencies for family planning services.

WIC benefits are paid to eligible food providers for the costs of WIC foods purchased and total \$4,799,325 in fiscal 1988 and \$4,991,299 in fiscal 1989.



**Modified Budget Approved:**

1. WIC On-Line Data Entry - 1.0 FTE data entry operator and \$49,083 in fiscal 1988 and \$127,806 in fiscal 1989 of federal WIC funds are included for on-line data entry for the WIC program.

Funding: The following table shows the funding for each program.

Table 13  
Family/Maternal and Child Health Bureau - Programs and Funding

Program/Fund	Fiscal 1986	Fiscal 1988	Fiscal 1989
Administration			
General Fund	\$ 40,128	\$ 30,635	\$ 31,013
Maternal and Child Health Block Grant*	784,207	767,587	772,245
Total	\$ 824,335	\$ 798,222	\$ 803,258
Child Nutrition			
Federal Child Nutrition	\$ 2,357,868	\$ 2,664,406	\$ 2,662,436
WIC			
Federal WIC	\$ 5,889,097	\$ 6,389,609	\$ 6,659,807
Family Planning**			
Federal Title X	\$ 772,307	\$ 808,244	\$ 808,244
Preventive Health Block Grant	193,430	202,015	202,017
Maternal and Child Health Block Grant	27,268	29,000	29,000
Total	\$ 993,005	\$ 1,039,259	\$ 1,039,261
Handicapped Children's Service			
Maternal and Child Health Block Grant	\$ 797,536	\$ 866,119	\$ 865,215
TOTAL BUREAU	<u>\$10,861,841</u>	<u>\$11,757,615</u>	<u>\$12,029,977</u>

\* Does not include legislative appropriation of \$139,247 in fiscal 1986.

\*\*Does not include budget amendments totaling \$136,970 in fiscal 1986.

Difference from Executive: The difference between the executive budget and the appropriation is due to several factors: 1) the appropriation includes \$26,898 in fiscal 1988 and \$26,082 in fiscal 1989 less than the executive budget in the Handicapped Children's Services Program. The program is funded with federal Maternal and Child Health Block Grant; 2) the executive budget did not include Child Nutrition Program grants, as it assumed these grants would be statutorily appropriated. The grants are legislatively appropriated at \$2,500,000 each year; 3) the legislature funded a greater share of the administration of the bureau with federal Maternal and Child Health Block Grant and a lesser share with general fund than was included in the executive budget.

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

LEGISLATIVE ACTION

PROGRAM: NURSING BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	3.00	2.00	0.00	-2.00	2.00	0.00	-2.00	-3.00
Personal Services	\$168,089	\$75,280	\$0	\$(75,280)	\$75,180	\$0	\$(75,180)	-100.00
Operating Expenses	29,382	20,183	0	(20,183)	20,154	0	(20,154)	-100.00
TOTAL EXPENSES	\$197,471	\$95,463	\$0	\$(95,463)	\$95,334	\$0	\$(95,334)	-100.00
FUNDING								
General Fund	\$170,158	\$95,463	\$0	\$(95,463)	\$95,334	\$0	\$(95,334)	-100.00
Federal Revenue	27,313	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$197,471	\$95,463	\$0	\$(95,463)	\$95,334	\$0	\$(95,334)	-100.00

Program Description: The Nursing Bureau provides support services to local school and public health nurses.

This bureau was deleted from the budget.

The legislature felt that the reduction in FTE experienced by this bureau in the past several years has resulted in a dilution of the program's effectiveness and a too thin spreading of current FTE. In addition, it was felt this service could be eliminated without serious consequence to the public health nursing programs in the state.

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

LEGISLATIVE ACTION

PROGRAM: PREVENTATIVE HEALTH BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	12.90	15.00	15.00	0.00	15.00	15.00	0.00	2.10
Personal Services	\$ 345,293	\$ 445,340	\$ 445,692	\$ 352	\$ 445,834	\$ 446,205	\$ 371	29.08
Operating Expenses	710,315	578,828	842,649	263,821	569,288	832,850	263,562	18.63
Equipment	4,599	5,400	5,900	500	327	327	0	28.29
Non-Operating	13,070	17,028	17,028	0	17,101	17,101	0	30.28
TOTAL EXPENSES	\$1,073,277	\$1,046,596	\$1,311,269	\$264,673	\$1,032,550	\$1,296,483	\$263,933	22.17
FUNDING								
General Fund	\$ 473,601	\$ 223,888	\$ 483,645	\$259,757	\$ 223,904	\$ 483,707	\$259,803	2.12
Federal Revenue	599,676	822,708	827,624	4,916	808,646	812,776	4,130	38.01
TOTAL FUNDING	\$1,073,277	\$1,046,596	\$1,311,269	\$264,673	\$1,032,550	\$1,296,483	\$263,933	22.17

Program Description: The Preventive Health Bureau has administrative responsibilities for: 1) Montana Perinatal Program, which provides services directed towards improving the care of mothers and babies; 2) Dental Program, which provides consultation and services designed to reduce tooth decay; 3) Communicable Disease, which provides surveillance and control of reportable infectious diseases; 4) Rabies Vaccine, which provides vaccine to rabies victims; 5) Health Promotion and Education, which manages resources and activities directed at promoting health and reducing disease; 6) Sexually Transmitted Diseases, which provides services to reduce and eliminate sexually transmitted diseases; 7) Immunization, which provides vaccine to reduce the incidence of preventable childhood disease; 8) Rape Crisis, which provides grants to rape crisis intervention programs, 9) End State Renal Disease, which reimburses medical providers for the cost of services to victims of severe kidney disease, 10) the Montana AIDS Project, which provides consultation and educational services concerning AIDS, and 11) the Genetics Program, operated by Shodair Hospital with a grant from the department.

Budget: A 0.4 FTE administrative clerk position in the Dental Program was deleted due to fiscal 1987 pay plan and budget cuts. A 0.5 FTE administrative aide position authorized by the 1985 legislature for fiscal 1987 in the Perinatal Program has been maintained. Two FTE in the Montana AIDS Project were added in a modified budget.



Operating expenses are increased 18.63 percent as a cumulative result of the following action: 1) the Genetics Program expended \$263,151 in contracted services in fiscal 1986 and is included in fiscal 1988 and fiscal 1989 at \$260,000 each year; 2) the Perinatal Program was reduced by \$8,978; 3) indirect costs add \$19,115 in fiscal 1988 and \$19,141 in fiscal 1989; 4) the Dental Program was increased \$6,388 to purchase supplies; 5) the Immunization Program was increased \$100,890 to purchase vaccine; 6) the Montana AIDS Project and a related modified budget total \$38,021 in fiscal 1988 and \$27,678 in fiscal 1989. Operating expenses for all AIDS activities totaled \$17,314 in fiscal 1986; and 7) a modified budget adds \$11,000 each year for a behavioral risk survey. Behavioral risk operating expenses totaled \$10,058 in fiscal 1989.

Equipment includes \$5,573 in fiscal 1988 for a computer and software for the Perinatal Program and \$327 for films each year for the Sexually Transmitted Diseases Program.

Grants include \$11,970 of Preventive Health Block Grant each year for Rape Crisis grants and \$1,074 of Preventive Health Block Grant each year in the Health Promotion and Education Program and \$3,984 in fiscal 1988 and \$4,057 in fiscal 1989 of federal funds in the Montana AIDS Project. The state must expend the Rape Crisis grant in order to receive the Preventive Health Block Grant.

Modifieds Approved:

1. Montana AIDS Project - 2.0 FTE and \$84,046 in fiscal 1988 and \$84,030 in fiscal 1989 of federal funds are included to continue the Montana AIDS project to develop and conduct community education projects.

2. AIDS - \$10,334 in federal funds are included in fiscal 1988 to allow expenditure of remaining grant funds on contracted services for AIDS counseling and testing. This budget continues authority approved by budget amendment in the 1987 biennium.

3. Behavioral Risk - \$11,000 of federal funds each year is included to establish a monthly system of surveillance for behavior health risk, and represents the first two years of a five year grant.

Funding: General fund is used for the following purposes: 1) match on federal immunization and sexually transmitted diseases funds; the state has an agreement with the federal government to match all personal services and instate travel costs in the Immunization and Sexually Transmitted Diseases Programs with 20 percent general fund; 2) complete support of the Communicable Disease Program; 3) complete support of the End Stage Renal Disease Program; 4) partial support of the Dental Program; and 5) complete support of the Genetics Program.

The following table shows each program of the bureau and its funding.

Table 14  
Preventive Health Bureau Funding  
Fiscal Years 1986 through 1989

<u>Program/Funding</u>	<u>Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Perinatal Program			
MCH Block	\$ 94,144	\$ 137,988	\$ 134,234
PH Block	96,529	70,012	68,670
Total	<u>\$ 190,673</u>	<u>\$ 208,000</u>	<u>\$ 202,904</u>
Dental Program			
General Fund	\$ 24,909	\$ 21,670	\$ 21,599
MCH Block	57,997	43,000	43,000
PH Block	-0-	18,318	18,455
Total	<u>\$ 82,906</u>	<u>\$ 82,988</u>	<u>\$ 83,054</u>
Health Promotion & Education			
PH Block	\$ 48,769	\$ 48,218	\$ 48,315
Immunization			
General Fund	\$ 19,208	\$ 21,813	\$ 21,845
Federal Immunization	160,641	267,810	267,918
Total	<u>\$ 179,849</u>	<u>\$ 289,623</u>	<u>\$ 289,763</u>
Sexually Transmitted Diseases			
General Fund	\$ 11,946	\$ 12,076	\$ 12,093
Federal STD	67,436	76,268	76,356
Total	<u>\$ 79,382</u>	<u>\$ 88,344</u>	<u>\$ 88,449</u>
Rabies Vaccination			
Rabies	\$ 47,528	\$ 48,661	\$ 48,828
Communicable Disease			
General Fund	\$ 42,786	\$ 43,085	\$ 43,170
Rape Crises			
PH Block	\$ 11,970	\$ 11,970	\$ 11,970
End Stage Renal Disease - General Fund	\$ 122,500	125,000	125,000

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Table 14  
Preventive Health Bureau Funding  
Fiscal Years 1986 through 1989

<u>Program/Funding</u>	<u>Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
AIDS			
General Fund	\$ 11,677	\$ -0-	\$ -0-
Federal Funds	6,814	94,380	84,030
Total	<u>\$ 18,491</u>	<u>\$ 94,380</u>	<u>\$ 84,030</u>
Behavioral Risk Federal Funds	\$ 10,878	\$ 11,000	\$ 11,000
Genetics Program General Fund	<u>\$ 263,151</u>	<u>\$ 260,000</u>	<u>\$ 260,000</u>
TOTAL BUREAU	<u>\$1,098,883</u>	<u>\$1,311,269</u>	<u>\$1,296,483</u>

Difference from Executive: The difference between the executive budget and the appropriation is due to the addition of the Genetics Program and to minor adjustments in several bureau programs.



LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

PROGRAM: EMERGENCY MEDICAL SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	9.35	8.20	8.27	0.07	8.20	8.27	0.07	-1.08
Personal Services	\$235,124	\$220,822	\$237,760	\$ 16,938	\$220,802	\$237,790	\$ 16,988	1.12
Operating Expenses	231,132	271,196	256,549	(14,647)	271,014	256,333	(14,681)	11.00
Equipment	1,594	5,000	5,000	0	5,000	5,000	0	213.68
TOTAL EXPENSES	\$467,850	\$497,018	\$499,309	\$ 2,291	\$496,816	\$499,123	\$ 2,307	6.72
FUNDING								
General Fund	\$284,435	\$268,025	\$284,104	\$ 16,079	\$267,960	\$283,985	\$ 16,025	-0.12
State Special Revenue	14,992	44,830	47,019	2,189	44,830	47,025	2,195	213.63
Federal Revenue	168,423	184,163	168,186	(15,977)	184,026	168,113	(15,913)	-0.14
TOTAL FUNDING	\$467,850	\$497,018	\$499,309	\$ 2,291	\$496,816	\$499,123	\$ 2,307	6.72

Program Description: The Emergency Medical Services (EMS) Bureau is responsible for planning, implementing, and coordinating of statewide emergency medical services; managing the ambulance licensing program; providing training and certifying emergency medical technicians; and administering the Montana Poison Control System.

Budget: A 1.0 FTE administrative aide position and a 0.15 FTE administrative clerk position were deleted due to fiscal 1987 pay plan and budget cuts. Due to an Internal Revenue Service opinion, an aggregate 0.07 FTE was added to perform work currently done by contract, as the IRS has determined these services must be performed by an employee.

Operating expenses rise 11.00 percent due to the following: 1) \$29,838 was added each year for increased activity associated with the training and testing of emergency medical technicians (EMTs), 2) \$8,283 was added in fiscal 1988 and \$8,223 in fiscal 1989 for the Montana Poison Control System, and 3) \$16,836 in fiscal 1988 and \$16,880 in fiscal 1989 in contracted services were deleted, as this work will be performed by the additional .07 FTE. Equipment includes several items of replacement equipment each year and \$2,100 for defibrillator equipment in fiscal 1988.

Funding: State special revenue consists of fees paid for emergency medical technician testing and training. The increase of 213.63 percent is due to the anticipation of increased activities. Federal revenue consists of Preventive Health Block Grant.

Difference from Executive: The difference between the appropriation and the executive budget is due to the addition of 0.07 FTE aggregate position. Personal services are added and operating expenses are reduced due to the Internal Revenue Service opinion concerning work currently done by contract.

LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

PROGRAM: HEALTH PLANNING AND RESOURCE BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	9.00	4.75	4.75	0.00	4.75	4.75	0.00	-4.25
Personal Services	\$235,995	\$141,327	\$141,326	\$(1)	\$141,318	\$141,318	\$0	-40.11
Operating Expenses	68,075	34,530	34,530	0	28,915	28,915	0	-49.28
Equipment	2,716	250	250	0	250	250	0	-90.80
TOTAL EXPENSES	\$306,786	\$176,107	\$176,106	\$(1)	\$170,483	\$170,483	\$0	-42.60
FUNDING								
General Fund	\$114,157	\$176,107	\$176,106	\$(1)	\$170,483	\$170,483	\$0	54.27
Federal Revenue	192,629	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$306,786	\$176,107	\$176,106	\$(1)	\$170,483	\$170,483	\$0	-42.60

**Program Description:** The Health Planning Bureau produces the state health plan and related plans; administers the Certificate of Need Program; and collects, maintains, and distributes health facility service and manpower data.

**Budget:** This bureau had formerly been substantially funded with federal health planning funds. However, these funds have ended in fiscal 1987. In addition, the state certificate of need law was due to expire at the end of fiscal 1987. Due to these factors this bureau was included as a modified budget. The bureau's federal funds have been replaced with general fund at a lower level of operation. Senate Bill 246 extending the certificate of need law until the end of fiscal 1989 was passed by the 1987 legislature.

**Modifieds Approved:**

1. Health Planning Bureau - General fund of \$176,106 in fiscal 1988 and \$170,483 in fiscal 1989 are included to maintain the Health Planning Bureau. Total staff levels have been reduced by 4.25 FTE, and all remaining expenses of the bureau are to maintain minimum certificate of need functions, including health planning, which is used in the certificate of need process.



LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

PROGRAM: LICENSING AND CERTIFICATION BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	16.35	25.55	25.55	0.00	25.55	25.55	0.00	9.20
Personal Services	\$443,466	\$686,648	\$686,849	\$201	\$686,459	\$686,682	\$223	54.88
Operating Expenses	165,485	193,971	193,971	0	193,866	193,866	0	17.21
Equipment	21,945	2,356	2,356	0	500	500	0	-89.26
TOTAL EXPENSES	\$630,896	\$882,975	\$883,176	\$201	\$880,825	\$881,048	\$223	39.99
FUNDING								
General Fund	\$243,758	\$368,474	\$368,558	\$84	\$367,536	\$367,630	\$94	51.20
Federal Revenue	387,138	514,501	514,618	117	513,289	513,418	129	32.93
TOTAL FUNDING	\$630,896	\$882,975	\$883,176	\$201	\$880,825	\$881,048	\$223	39.99

Program Description: The Licensing and Certification Bureau issues licenses, grants medicaid certification, and recommends medicare certification for a variety of health care providers. The bureau is also responsible for legal enforcement duties concerning state, local, and federal laws governing health care providers.

Language in Bill: General fund is line-itemed for operations of the Licensing and Certification Bureau only. The department may transfer general fund authority into the Licensing and Certification Bureau. No general fund authority may be transferred out of the Licensing and Certification Bureau unless the Governor requests general fund reductions in all state agencies.

Budget: A 0.3 FTE administrative clerk position has been deleted due to fiscal 1987 pay plan and budget cuts. In a modified budget, 4.0 FTE surveyors, 0.50 FTE administrative aide, 1.0 FTE building construction consultant, and 4.0 FTE surveyor supervisor positions were added in response to changes in federal regulations and deficiencies found by the federal government.

Operating expenses increase 17.21 percent as a cumulative result of the following: 1) A portion of the expenses of the Family Planning lawsuit were paid from this bureau. Therefore, \$58,181 has been deleted; 2) a contract for \$7,745 for a building consultant has been deleted, as the department has hired an FTE to perform this function; 3) indirect costs added \$29,991 in fiscal 1988 and \$30,000 in fiscal 1989; and 4) a modified budget for the related costs of an expansion in staff added \$62,269 in fiscal 1988 and \$62,247 in fiscal 1989.

Equipment consists of \$500 for software each year, and \$875 for a typewriter and \$981 for miscellaneous office equipment in fiscal 1988.

Modifieds Approved:

1. Additional Personnel - 9.5 FTE and related expenses are included for two purposes: 1) to address deficiencies found by the federal government in the work conducted by the bureau, and 2) to respond to changes in the federal certification procedures. Funding includes \$126,402 in fiscal 1988 and \$125,831 in fiscal 1989 of general fund, \$73,541 in fiscal 1988 and \$73,231 in fiscal 1989 of federal medicaid funds and \$107,013 in fiscal 1988 and \$106,564 in fiscal 1989 of federal medicare funds.

Funding: General fund completely supports the licensing function of the bureau and provides approximately 30 percent of the costs of medicaid certification. Federal funds consist of Title XIX medicaid and Title XVIII medicare funds. The medicare funds completely support the medicare certification function.

AGENCY: DOLI/EMPLOYMENT SERVICES

LEGISLATIVE ACTION

PROGRAM, AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	614.67	594.40	619.90	25.50	594.40	619.90	25.50	5.23
Personal Services	\$13,861,097	\$14,584,641	\$15,174,628	\$ 589,987	\$14,578,397	\$15,167,441	\$ 589,044	9.48
Operating Expenses	4,260,313	6,888,862	7,191,541	302,679	6,785,548	7,068,977	283,429	68.80
Equipment	736,509	272,536	281,536	9,000	238,636	238,636	0	-61.77
Non-Operating	8,537,787	8,647,483	9,486,246	838,763	9,082,162	9,922,849	840,687	11.11
TOTAL EXPENSES	\$27,395,706	\$30,393,522	\$32,133,951	\$1,740,429	\$30,684,743	\$32,397,903	\$1,713,160	17.30
FUNDING								
General Fund	\$ 1,335,938	\$ 1,073,604	\$ 2,644,453	\$1,570,849	\$ 1,071,901	\$ 2,641,632	\$1,569,731	97.95
State Special Revenue	3,250	4,000	306,220	302,220	4,000	295,208	291,208	9322.15
Federal Revenue	25,782,607	26,695,924	26,561,075	(134,849)	27,066,701	26,920,314	(146,387)	3.02
Other Revenue	273,911	2,619,994	2,622,203	2,209	2,542,141	2,540,749	(1,392)	857.32
TOTAL FUNDING	\$27,395,706	\$30,393,522	\$32,133,951	\$1,740,429	\$30,684,743	\$32,397,903	\$1,713,160	17.30

Program Description: Employment Services enforces state wage and hour laws, provides for apprenticeships, hears classification and unemployment insurance disputes, and enforces state and federal anti-discrimination in employment laws. The department also collects and disburses state unemployment funds, acts as an employment agency, provides training, and oversees federal Job Training Partnership Act grants. It is comprised of: 1) Job Service; 2) Unemployment Insurance; 3) Centralized Services; 4) Employment Relations; 5) Employment Policy; 6) Human Rights Commission; 7) Commissioner's Office; 8) Job Training Partnership Act; 9) General Assistance Training Program; and 10) Aid to Families with Dependent Children Day Care Program.

The division has reorganized in the 1987 biennium. The following table illustrates the prior and current configuration of the department. The table only includes those programs affected by the reorganization. The narrative that follows incorporates the reorganization.



Table 1  
Department of Labor - Reorganization Chart

<u>Prior Configuration</u>	<u>Current Configuration</u>
Standards Division Labor Standards Apprenticeship	Employment Policy JTPA Staff Apprenticeship Research and Analysis
Centralized Services Research and Analysis Audit	Employment Relations Appeals Investigations (Standards) Audit
Appeals Division Personnel Appeals Unemployment Insurance Appeals	
Job Service JTPA Staff	

Budget: A total of 13.0 FTE positions have been deleted due to budget cuts from the fiscal 1987 level, including 5.0 FTE in Job Service, 6.0 FTE in Unemployment Insurance, and 2.0 FTE in Centralized Services. Also, 1.5 FTE were eliminated in both Employment Relations and the Human Rights Division. In addition, 4.1 FTE have been transferred to the Division of Workers' Compensation in fiscal 1987. The General Assistance Training Program begun in fiscal 1987 adds 17.5 FTE, 6.0 FTE were added to the Employment Relations Program and 2.0 FTE were added to the Job Service Program due to the passage of Senate Bill 315, which revised the workers' compensation statutes.

The department has changed its method of accounting for indirect charges. These charges are made against all programs of the department and fund Centralized Services and the Commissioner's Office. The charges appear as operating expenses in the budgets of the contributor programs. Prior to fiscal 1988, certain indirect charges were not budgeted for and did not appear as expenses in any program. In the 1989 biennium, all indirect charges made will be budgeted and will appear as expenses. Major changes will appear in the narrative in the relevant programs.

Funding: General fund supports the following functions: 1) all operations of Investigations in the Employment Relations Program; 2) all operations of Personnel Appeals in the Employment Relations Program; 3) all prevailing wage study expenses; 4) a portion of the Human Rights Commission; 5) the state Displaced Homemakers Program in the Job Training Partnership Act; 6) all expenses of the General Assistance Training Program; and 7) the AFDC Day Care Program. The increase in general fund is primarily due to the addition of the latter two programs, totaling \$1,570,726 in fiscal 1988 and \$1,588,819 in fiscal 1989.

State special revenue consisted of license fees paid by private employment agencies in fiscal 1986. This function has been transferred to the Department of Commerce in the 1989 biennium. State special revenue consists of state workers' compensation funds for workers' compensation mediators in the 1989 biennium in accordance with Senate Bill 315.

Other revenue consists of income from the sale of appeals case decisions and indirect charges funding Centralized Services and the Commissioner's Office. The department receives several federal funds, which are discussed in detail in the narrative that follows.

Other Legislation:

1. House Bill 460 - This bill raises the marriage dissolution fee from \$30 to \$100. The department of labor currently receives the equivalent of \$25 of this fee to fund the state Displaced Homemakers Program. The department will now receive the equivalent of \$40 for the Displaced Homemakers Program and \$5 for day care services for Aid to Families with Dependent Children clients. With the exception of \$5 earmarked for the Children's Trust Fund, all revenues from the fee will continue to be deposited to the general fund.
2. House Bill 888 - This bill establishes the New Horizons Program to provide day care to children of AFDC clients enrolled in selected displaced homemaker programs, and to provide incentive payments to selected displaced homemaker program operators for former AFDC clients who find and retain employment. The bill includes a biennial general fund appropriation of \$50,000.
3. Senate Bill 315 - This bill provides for a general revision in the workers' compensation statutes. Included are mediators and rehabilitation panel members added to Employment Services Division.

AGENCY: DOLI/EMPLOYMENT SERVICES

LEGISLATIVE ACTION

PROGRAM: JOB SERVICE DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	342.00	338.00	340.00	2.00		338.00	340.00	2.00		-2.00
Personal Services	\$7,678,830	\$ 8,188,336	\$ 8,241,806	\$ 53,470		\$ 8,183,656	\$ 8,237,311	\$ 53,655		7.33
Operating Expenses	1,782,295	2,891,502	2,837,054	(54,448)		2,885,200	2,815,449	(69,751)		59.18
Equipment	375,525	156,506	161,506	5,000		156,506	156,506	0		-56.99
Non-Operating	33,724	85,000	50,000	(35,000)		190,540	155,540	(35,000)		48.26
TOTAL EXPENSES	\$9,870,374	\$11,321,344	\$11,290,366	\$30,978		\$11,415,902	\$11,364,806	\$51,096		14.39
FUNDING										
State Special Revenue	\$ 0	\$ 0	\$ 66,883	\$ 66,883		\$ 0	\$ 61,407	\$ 61,407		N/A
Federal Revenue	9,870,374	11,321,344	11,223,483	(97,861)		11,415,902	11,303,399	(112,503)		13.71
TOTAL FUNDING	\$9,870,374	\$11,321,344	\$11,290,366	\$30,978		\$11,415,902	\$11,364,806	\$51,096		14.39

Program Description: The Job Service Division acts as a labor exchange through the job service offices throughout the state by listing jobs and referring qualified personnel to employers. In the 1989 biennium, the division will also have workers' compensation rehabilitation and reemployment panel participation.

Language in the Bill: The appropriation for this program includes federal spending authority for current level operations of all existing job service offices. If federal funds are less than these amounts, the department may seek a budget amendment to supplement federal funds with state unemployment assessments as provided in section 39-51-404(4), MCA.

Budget: Five FTE were deleted from the fiscal 1987 level, which is the equivalent of a 4.0 FTE reduction from the actual 1986 level, due to a reduction in federal funding. Two FTE were added for rehabilitation and reemployment panels in accordance with Senate Bill 315. Operating expenses rise 59.18 percent due to several factors: 1) \$44,437 was added to allow management training; 2) janitorial services were raised \$36,270, as the contract for maintenance of local job service offices was increased; 3) maintenance contracts on existing equipment purchased in the 1987 biennium were increased \$47,684; 4) the change in accounting for indirect costs results in an increase in indirect costs from \$135,656 in fiscal 1986 to \$1,032,134 in fiscal 1988 and \$982,517 in fiscal 1989; and 5) the workers' compensation panel adds \$62,947 in fiscal 1988 and \$57,761 in fiscal 1989.



Equipment includes \$59,400 each year to upgrade telephone systems in local offices, \$60,000 each year to upgrade computer equipment at local offices, \$32,106 each year for office equipment, \$5,000 each year to purchase data base packages, and \$5,000 in fiscal 1988 for the workers' compensation panel.

Grants are made for supportive services, such as clothing, automobile repairs, and job related tools, to WIN (Work Incentive) participants and total \$20,000 each year. Capital outlay costs totaling \$30,000 in fiscal 1988 and \$135,540 in fiscal 1989 are included for projects in the Architecture and Engineering long range building program to weatherize, remodel, and paint local job service offices.

State special revenue consists of state workers' compensation funds to support the reemployment panel. Federal revenue consists of Wagner-Peyser, WIN, and other federal funds.

Difference From Executive - The primary difference between the executive budget and the appropriation is due to the addition of 2.0 FTE and related expenses in response to Senate Bill 315. The additions are funded with state workers' compensation funds, causing that difference. In addition, the executive had included \$35,000 each year for contingency repairs on local job service offices not included by the legislature. The remaining differences are primarily due to differences in the calculation of recharges.

AGENCY: DOLI/EMPLOYMENT SERVICES

LEGISLATIVE ACTION

PROGRAM: UNEMPLOYMENT INSURANCE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	94.90	88.90	88.90	0.00	88.90	88.90	0.00	-6.00
Personal Services	\$1,899,695	\$1,956,011	\$1,957,158	\$ 1,147	\$1,955,257	\$1,956,503	\$ 1,246	3.02
Operating Expenses	745,970	1,512,184	1,500,429	(11,755)	1,486,982	1,475,434	(11,548)	101.14
Equipment	197,997	54,930	54,930	0	54,930	54,930	0	-72.26
Non-Operating	49,321	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$2,892,983	\$3,523,125	\$3,512,517	\$(10,608)	\$3,497,169	\$3,486,867	\$(10,302)	21.42
FEDERAL REVENUE	\$2,892,983	\$3,523,125	\$3,512,517	\$(10,608)	\$3,497,169	\$3,486,867	\$(10,302)	21.42

Program Description: Unemployment Insurance is responsible for the administration of state and federal unemployment insurance laws. It collects unemployment insurance taxes, makes payments to eligible recipients, and manages the unemployment insurance trust fund.

Budget: Six FTE were deleted due to reductions in federal funding. Consulting and professional services were reduced \$24,581 to \$100,000, while \$15,600 for data set charges and \$4,962 for maintenance contracts were added. Due to the change in the method of accounting for indirect charges, those costs total \$784,580 in fiscal 1988 and \$773,035 in fiscal 1989, compared with the fiscal 1986 total of \$30,436.

Equipment consists of \$41,130 each year for computer equipment, \$7,300 each year for office equipment, and \$6,500 each year for software.

Non-operating expenses in fiscal 1986 consisted of one-time capital outlay expenses.

AGENCY: DOLI/EMPLOYMENT SERVICES

LEGISLATIVE ACTION

PROGRAM: CENTRALIZED SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	72.10	66.00	66.00	66.00	66.00	6.10
Personal Services	\$1,568,659	\$1,698,371	\$1,699,406	\$1,697,440	\$1,698,553	8.33
Operating Expenses	699,994	726,035	727,189	672,432	669,897	3.89
Equipment	105,065	35,700	35,700	12,200	12,200	-66.02
Non-Operating	272,602	0	0	0	0	-100.00
TOTAL EXPENSES	\$2,646,320	\$2,460,106	\$2,462,295	\$2,382,072	\$2,380,650	-6.95
FUNDING						
Federal Revenue	\$2,373,718	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
Proprietary Fund	272,602	2,460,106	2,462,295	2,382,072	2,380,650	803.26
TOTAL FUNDING	\$2,646,320	\$2,460,106	\$2,462,295	\$2,382,072	\$2,380,650	-6.95

Program Description: Centralized Services provides overall management and support services to the Department of Labor and Industry, including legal assistance, personnel hiring and training, data processing, and budgeting.

Budget: In fiscal 1986, 6.9 positions were transferred to the Division of Workers' Compensation and Unemployment Insurance for one year. In fiscal 1988, 11 positions have been transferred, for a net reduction from fiscal 1986 to fiscal 1988 of 4.10 FTE. In addition, 2.0 FTE were deleted from this division due to budget cuts. The rise in personal services is primarily due to vacancy savings in fiscal 1986 and fiscal 1987 pay increases.

Operating expenses rise 3.89 percent due to a number of factors: 1) payroll service fees were increased \$9,718 in fiscal 1988 and \$8,866 in fiscal 1989; 2) audit fees of \$58,946 were added, which totals \$53,301 over the fiscal 1986 level; 3) indirect charges, which were not affected by the change in accounting procedure, were increased \$2,166 to \$91,838 in fiscal 1988 and total \$88,796 in fiscal 1989; 4) one time expenses of \$16,570 were deleted and \$7,268 was transferred to the Research and Analysis Bureau; and 5) grounds maintenance was reduced \$12,209 in fiscal 1988 and \$12,074 in fiscal 1989.



Equipment includes computer equipment of \$13,300 in fiscal 1988 and \$12,000 in fiscal 1989, office equipment of \$1,200 in fiscal 1988, a sorter/feeder for \$18,000 in fiscal 1988, training equipment of \$200 each year, and software for \$3,000 in fiscal 1988.

Non-operating expenses consisted of non-budgeted debt service and transfer expenses and have been deleted from the budget.

Funding: Funding is provided from two sources: 1) indirect costs paid by all programs of the Department of Labor and Industry, including the Division of Workers' Compensation, totaling \$1,561,215 in fiscal 1988 and \$1,481,588 in fiscal 1989; and 2) data processing funds, which fund that function, totaling \$901,080 in fiscal 1988 and \$899,062 in fiscal 1989. The two funding sources had previously been classified as federal revenue, and will now be classified as proprietary funds.

AGENCY: DOLI/EMPLOYMENT SERVICES

LEGISLATIVE ACTION

PROGRAM: EMPLOYMENT RELATIONS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	49.00	47.50	53.50	6.00	47.50	53.50	6.00	4.50
Personal Services	\$1,269,119	\$1,303,872	\$1,464,197	\$160,325	\$1,304,251	\$1,464,052	\$159,801	15.37
Operating Expenses	337,932	430,674	485,407	54,733	425,076	477,276	52,200	43.64
Equipment	18,175	6,900	10,900	4,000	0	0	0	-40.03
TOTAL EXPENSES	\$1,625,226	\$1,741,446	\$1,960,504	\$219,058	\$1,729,327	\$1,941,328	\$212,001	20.63
FUNDING								
General Fund	\$ 643,133	\$ 621,252	\$ 621,358	\$ 106	\$ 623,490	\$ 622,676	\$ (814)	-3.39
State Special Revenue	3,250	4,000	239,337	235,337	4,000	233,801	229,801	7264.22
Federal Revenue	977,534	1,112,694	1,096,309	(16,385)	1,098,337	1,081,351	(16,986)	12.15
Other Revenue	1,309	3,500	3,500	0	3,500	3,500	0	167.36
TOTAL FUNDING	\$1,625,226	\$1,741,446	\$1,960,504	\$219,058	\$1,729,327	\$1,941,328	\$212,001	20.63

**Program Description:** Employment Relations Division includes the five member Board of Personnel Appeals, the three member Board of Labor Appeals, and three bureaus: 1) Audit, which performs auditing and other special services for the department; 2) Appeals, which provides mediation, fact finding, and arbitration services and conducts administrative hearings on collective bargaining matters, classification appeals, employee grievances, unemployment insurance benefits, tax appeals and on the Wage Payment Act; and 3) Investigations, which administers and enforces state laws on wages, hours, working conditions, child labor, contractors' bonds, and restaurant and tavern bonds. It also conducts representation elections and investigates collective bargaining petitions and employee grievances. This division will include the workers' compensation mediation function included in Senate Bill 315 in the 1989 biennium.

**Budget:** A 1.0 FTE receptionist position was deleted and a 1.0 FTE labor mediator position was reduced to 0.5 FTE due to Special Session III budget cuts. Six FTE were added for workers' compensation mediation in accordance with Senate Bill 315.

Operating expenses rise 43.64 percent due to the following factors: 1) fact finding was increased \$3,600; 2) legal expenses were increased \$3,993; 3) maintenance contracts were increased \$12,029; 4) filing fees were raised \$2,100 in fiscal 1988 and \$4,200 in fiscal 1989; 5) printing supplies were reduced \$7,272; 6) indirect costs total \$196,176 compared with a fiscal 1986 total of \$149,957; and 7) expenses of the workers' compensation mediation add \$51,069 each year. The department reorganized in fiscal 1987. Some expenses included in this program's fiscal 1988 and 1989 base are not included in the fiscal 1986 totals as these expenses were not transferred at the time of reorganization and were added later. This accounts for the remainder of the additions in the 1989 biennium over actual fiscal 1986 levels.

Equipment includes \$4,800 for personal computers to complete the automation of the Audit Bureau, \$2,100 for software in fiscal 1988 and \$4,000 in fiscal 1988 for the workers' compensation mediators.

Funding: General fund supports 100 percent of Investigations totaling \$333,564 in fiscal 1988 and \$332,062 in fiscal 1989, and all costs of Personnel Appeals, totaling \$287,794 in fiscal 1988 and \$290,614 in fiscal 1989.

State special revenue consisted of license fees paid by private employment agencies in fiscal 1986. That function has been transferred to the Department of Commerce in the 1989 biennium. State special revenue in the 1989 biennium consists of state workers' compensation funds to support the mediation function.

Federal revenue consists of: 1) audit funds to support the Audit Bureau, which are charges made to contributor programs within the department, totaling \$835,672 in fiscal 1988 and \$825,501 in fiscal 1989; 2) federal unemployment insurance appeals funds totaling \$257,291 in fiscal 1988 and \$252,504 in fiscal 1989, which support Unemployment Insurance Appeals; and 3) reimbursement for various fact finding operations totaling \$3,346 in each year.

Other revenue consists of income from the sale of appeals case decisions.

Difference From Executive - The primary difference between the executive budget and the appropriation is due to the addition of 6.0 FTE and related expenses as a result of Senate Bill 315, and the transfer of all private employment agency licensing functions to the Department of Commerce.



AGENCY: DOLI/EMPLOYMENT SERVICES

LEGISLATIVE ACTION

PROGRAM: EMPLOYMENT POLICY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	41.00	41.00	41.00	0.00	41.00	41.00	0.00	0.00
Personal Services	\$1,026,569	\$1,062,530	\$1,063,693	\$ 1,163	\$1,061,871	\$1,063,076	\$ 1,205	3.62
Operating Expenses	591,131	1,143,815	1,132,657	(11,158)	1,115,800	1,107,999	(7,801)	91.61
Equipment	39,236	18,500	18,500	0	15,000	15,000	0	-52.85
TOTAL EXPENSES	\$1,656,936	\$2,224,845	\$2,214,850	\$( 9,995)	\$2,192,671	\$2,186,075	\$(6,596)	33.67
FUNDING								
General Fund	\$ 194,532	\$ 19,567	\$ 19,567	\$ 0	\$ 0	\$ 0	\$ 0	-89.94
Federal Revenue	1,462,404	2,205,278	2,195,283	(9,995)	2,192,671	2,186,075	(6,596)	50.11
TOTAL FUNDING	\$1,656,936	\$2,224,845	\$2,214,850	\$(9,995)	\$2,192,671	\$2,186,075	\$(6,596)	33.67

**Program Description:** Employment Policy provides overall employment and training policy and planning functions for the Department of Labor and Industry. It consists of: 1) Apprenticeship and Training, which administers the apprenticeship program, 2) staff of the Job Training Partnership Act (JTPA) Program and other state funded job training programs for specific client group needs, and 3) Research and Analysis, which develops data and statistics related to employment, conducts surveys and studies with contracting agencies and charts employment trends in the state, and administers the Montana Career Information System (MCIS) and the State Occupational Information Coordinating Committee (SOICC). Employment Policy also includes all Prevailing Wage study expenses. This study is conducted every two years to determine prevailing wage rates in Montana and will be conducted in fiscal 1988. On-going prevailing wage expenses are contained in the Investigations Bureau of Employment Relations.

**Budget:** Operating expenses rise 91.61 percent for the following reasons: 1) \$107,000 was added for evaluations of JTPA program participants; 2) \$77,000 was added for outside audits; 3) consulting and professional services were reduced by \$35,606 to \$18,500, as fiscal 1986 included one-time expenditures; and 4) indirect costs total \$410,118 in fiscal 1988 and \$406,060 in fiscal 1989, or \$313,799 over the fiscal 1986 total of \$96,319. This difference is due to the change in accounting for indirect charges and because JTPA indirect costs, which total \$224,237 in fiscal 1988 and \$222,535 in fiscal 1989, were included in Job Service in fiscal 1986 and do not appear in the actual fiscal 1986 totals in

the above table. The department reorganized in fiscal 1987. Approximately \$85,000 in operating expenses now included in this budget are not included in the actual fiscal 1986 figures.

Equipment includes \$13,500 in fiscal 1988 for computer equipment, \$10,000 for a one-time matrix purchase in fiscal 1989, and \$2,000 for office equipment and \$3,000 for software each year.

Funding: General fund supports the prevailing wage study expenses. General fund had supported the Apprenticeship and Training Program in fiscal 1986. Funding for this program was changed to unemployment insurance penalty and interest funds in Special Session III.

Federal revenue consists of the following: 1) Job Training Partnership Act funds totaling \$1,153,541 in fiscal 1988 and \$1,151,057 in fiscal 1989, which fund all JTPA Staff expenses; 2) Research and Analysis funds totaling \$863,580 in fiscal 1988 and \$856,922 in fiscal 1989, which fund the Research and Analysis Bureau; and 3) unemployment insurance penalty and interest funds totaling \$178,162 in fiscal 1988 and \$178,096 in fiscal 1989, which support the Apprenticeship Bureau.

Difference From Executive - The primary difference between the executive budget and the appropriation is due to differences in the calculation of recharges.

AGENCY: DOLI/EMPLOYMENT SERVICES

LEGISLATIVE ACTION

PROGRAM: HUMAN RIGHTS DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	10.50	9.00	9.00	0.00	9.00	9.00	0.00	-1.50
Personal Services	\$242,899		\$235,786	\$ 74	\$235,959	\$235,903	\$ (56)	-2.93
Operating Expenses	74,923	77,164	76,256	(908)	74,361	73,474	(887)	1.78
Equipment	511	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$318,333	\$312,876	\$312,042	\$(834)	\$310,320	\$309,377	\$(943)	-1.98
FUNDING								
General Fund	\$207,053	\$216,876	\$216,042	\$(834)	\$214,320	\$213,377	\$(943)	4.34
Federal Revenue	111,280	96,000	96,000	0	96,000	96,000	0	-13.73
TOTAL FUNDING	\$318,333	\$312,876	\$312,042	\$(834)	\$310,320	\$309,377	\$(943)	-1.98

Program Description: The Human Rights Commission is charged with enforcement of state and federal laws designed to eliminate discrimination in the areas of employment, public accommodations, housing, financing and credit transactions, education, and government services.

Language in Bill: Language was included to allow the division to budget amend additional federal funds received up to the total vacancy savings taken on personal services. Any additional federal funds received over this level will cause a like reversion to the general fund. Vacancy savings total \$9,607 in fiscal 1988 and \$9,593 in fiscal 1989.

Budget: A 1.0 FTE human rights officer I and a 0.5 FTE human rights officer II positions were deleted due to a decrease in federal funding. Operating expenses rise 1.78 percent in fiscal 1988 due to the inclusion for one year only of \$1,500 in microfilming expenses. Travel was reduced \$700 due to the reduction in staff. Indirect charges total \$19,305 in fiscal 1988 and \$17,999 in fiscal 1989, compared with a fiscal 1986 total of \$19,192.



Funding: All cases heard by the commission fall under state law and, therefore, are funded with general fund. However, in some instances the cases cross over into federal law. In this event, the commission is entitled to a reimbursement from either the Equal Employment Opportunity Commission (EEOC) or the federal Department of Housing and Urban Development (HUD). The state is reimbursed at a set rate of \$420 for EEOC cases and \$600 for HUD cases. In addition, the state is eligible for some travel and miscellaneous reimbursements. The fall in federal funds is due to a lower anticipated number of cases heard by the commission eligible for federal reimbursement in the 1989 biennium than experienced in fiscal 1986. In each year of the 1989 biennium, it is anticipated that 200 EEOC and 10 HUD cases will be completed, and that \$4,000 in travel and training and \$2,000 in miscellaneous reimbursements will be received.

AGENCY: DOLI/EMPLOYMENT SERVICES

LEGISLATIVE ACTION

PROGRAM: COMMISSIONER OF LABOR AND INDUSTRY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Legislature	Difference	
FTE	4.00	4.00	0.00	4.00	0.00	0.00
Personal Services	\$154,605	\$139,809	\$20	\$139,993	\$30	-9.56
Operating Expenses	27,704	16,579	0	16,606	0	-40.16
TOTAL EXPENSES	\$182,309	\$156,388	\$20	\$156,599	\$30	-14.21
FUNDING						
Federal Revenue	\$182,309	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
Proprietary Fund	0	156,388	20	156,599	30	N/A
TOTAL FUNDING	\$182,309	\$156,388	\$20	\$156,599	\$30	-14.21

Program Description: The Commissioner of Labor and Industry is responsible for overall management of the Department of Labor and Industry.

Budget: The decrease in personal services is due primarily to termination pay of the former commissioner. Operating expenses decrease 40.16 percent. The Commissioner's Office had formerly been charged directly for its share of the costs of Centralized Services. In the 1989 biennium, all indirect charges to the Commissioner's Office will be deleted to eliminate accounting duplication. Indirect charges totaled \$16,635 in fiscal 1986. Travel was increased \$5,726 to allow the commissioner to travel to out-of-state meetings.

Funding: The Commissioner's Office is funded with charges made against all other programs of the department, which appear as operating expenses in those budgets. In the 1989 biennium, an accounting change has switched these funds to a proprietary account.

AGENCY: DOLL/EMPLOYMENT SERVICES

LEGISLATIVE ACTION

PROGRAM: JOB TRAINING PARTNERSHIP ACT

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	1.17	0.00	0.00	0.00	0.00	0.00	0.00	-1.17.
Personal Services	\$ 20,721	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
Operating Expenses	364	0	0	0	0	0	0	-100.00
Non-Operating	8,182,140	8,562,483	8,654,243	91,760	8,891,622	8,983,382	91,760	5.77
TOTAL EXPENSES	\$8,203,225	\$8,562,483	\$8,654,243	\$91,760	\$8,891,622	\$8,983,382	\$91,760	5.50
FUNDING								
General Fund	\$ 291,220	\$ 125,000	\$ 216,760	\$91,760	\$ 125,000	\$ 216,760	\$91,760	-25.57
Federal Revenue	7,912,005	8,437,483	8,437,483	0	8,766,622	8,766,622	0	6.64
TOTAL FUNDING	\$8,203,225	\$8,562,483	\$8,654,243	\$91,760	\$8,891,622	\$8,983,382	\$91,760	5.50

Program Description: Job Training Partnership Act gives federal JTPA funds to the Department of Labor and Industry, state agencies, and non-state organizations that provide training to help individuals enter or reenter the workforce.

Budget: The budget represents the anticipated level of JTPA funds in the 1989 biennium and does not include several budget amendments received in fiscal 1986, including 1.17 FTE added by budget amendment.

Modifieds Approved:

1. JTPA Summer Youth Training - JTPA funds totaling \$926,410 each year are included to provide support and assistance to Montana employers in providing jobs for economically disadvantaged youth.

Funding: General fund supports the state Displaced Homemakers Program. The program receives an amount equivalent to \$40 of the marriage dissolution fee of \$100. The program had received \$25 of the \$30 marriage dissolution fee prior to the increase in the fee made as a result of House Bill 460. General fund had also provided the necessary dollar for dollar match on JTPA Title III dislocated workers funds and pre-employment training funds. The match for both of these funds, totaling \$209,000 in fiscal 1988 and fiscal 1989, will now be met with unemployment insurance penalty and interest funds. The remainder of the federal funds consist of federal JTPA grants.

Difference From Executive: The difference between the executive budget and the appropriation is due to the marriage dissolution fee included in House Bill 460. The executive included Displaced Homemaker funding at \$25 rather than \$40.



AGENCY: DOLI/EMPLOYMENT SERVICES

LEGISLATIVE ACTION

PROGRAM: GENERAL ASSISTANCE TRAINING PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	0.00	0.00	17.50	0.00	17.50	17.50
Personal Services	\$0	\$0	\$ 372,753	\$0	\$ 372,050	N/A
Operating Expenses	0	0	325,061	0	323,751	N/A
Non-Operating	0	0	729,908	0	731,832	N/A
TOTAL EXPENSES	\$0 ===	\$0 ===	\$1,427,722 =====	\$0 ===	\$1,427,633 =====	N/A =====
GENERAL FUND	\$0 ===	\$0 ===	\$1,427,722 =====	\$0 ===	\$1,427,633 =====	N/A =====

Program Description: The Department of Labor and Industry is the administering and evaluating agency of the General Assistance Training Program. The program was established to meet the requirements of House Bill 12 passed in Special Session II, which required all persons receiving general assistance to attend classes designed to improve their employment possibilities and to engage in structured job search. Failure to participate in the programs means the loss of eligibility for all or a portion of general assistance benefits. In each of the 12 counties whose general assistance program has been assumed by the state, the training is provided by local job service offices, as well as by county governments and other organizations, such as Human Resource Development Councils (HRDCs) and the AFL-CIO.

Language in Bill: The department shall seek federal funds for general assistance training program activities. The department shall offset allowable general fund work training project expenses with federal funds received to administer such programs.

Budget: The program began operations in fiscal 1987, and was appropriated funds for an eight month period. The following table shows budgeted expenses and FTE of the program in fiscal 1987.

Table 2  
Budgeted Expenses - General Assistance Training Program  
Fiscal 1987

<u>County</u>	<u>Budgeted Expenditures</u>	<u>FTE</u>
Cascade	\$146,113	8.0
Deer Lodge and Powell	60,803	4.0
Flathead	68,894	5.5*
Lake	12,167	0.0
Lewis and Clark	141,697	6.5
Lincoln	64,192	1.0
Mineral and Missoula	86,870	4.5
Park	34,151	1.0
Ravalli	15,549	0.5
Silver Bow	104,385	5.0
Total	<u>\$734,821</u>	<u>36.0</u>

\*Includes 4.5 FTE employed by community organizations serving Flathead, Lake, and Lincoln counties.

The total FTE include 13.5 FTE in local job service offices. In addition, the central department of labor office in Helena employs 2.5 FTE for this program and has budgeted expenses of \$69,867.

The 1989 biennium budget includes all FTE associated with the local job service offices and the central department of labor office. Expenses of the central office total \$119,623 in fiscal 1988 and \$119,534 in fiscal 1989, while local job service costs total \$433,191 in fiscal 1988 and \$431,267 in fiscal 1989. The 1989 biennium budget includes an additional 1.5 FTE in the local job service offices, and also includes \$145,000 each year in workers' compensation costs for participants.

Non-operating expenses include \$21,890 in expenses of local job service offices each year and grants to other program operators for the costs of local programs, totaling \$706,018 in fiscal 1988 and \$709,942 fiscal 1989.

AGENCY: DOLI/EMPLOYMENT SERVICES

LEGISLATIVE ACTION

PROGRAM: AFDC DAYCARE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	\$0	\$90,909	\$ 90,909	\$ 0	\$109,091	\$109,091	\$ 0	N/A
Non-Operating	0	0	52,095	52,095	0	52,095	52,095	N/A
TOTAL EXPENSES	\$0 ==	\$90,909 =====	\$143,004 =====	\$52,095 =====	\$109,091 =====	\$161,186 =====	\$52,095 =====	N/A =====
GENERAL FUND	\$0 ==	\$90,909 =====	\$143,004 =====	\$52,095 =====	\$109,091 =====	\$161,186 =====	\$52,095 =====	N/A =====

Program Description: This program includes initial day care assistance to former Aid to Families with Dependent Children recipients and the New Horizons Program. Both are new programs to begin in fiscal 1988 and will be included as part of the JTPA Program.

Legislative Intent: It is the intent of the legislature that every effort should be made to use these funds as match to secure Carl D. Perkins Vocational Education funds or any other appropriate federal funds for day care assistance.

Budget: House Bill 888 establishes the New Horizons Program and appropriates \$50,000 over the biennium for its administration. In addition, the program receives \$5 of the marriage dissolution fee of \$100, which is expected to total \$27,095 each year. The pilot program will provide incentive cash payments to selected operators of Displaced Homemaker Programs when their AFDC clients find and retain employment, in order to encourage the seeking and retaining of employment. The funds are also to provide day care services for children of those clients, as childcare is seen as a major barrier to employment for current and former AFDC clients. The program also includes \$90,909 in fiscal 1988 and \$109,091 in fiscal 1989 in a modified budget to provide initial day care to AFDC clients.

Modifieds Approved:

1. Aid to Families with Dependent Children Day Care - General fund totaling \$90,909 in fiscal 1988 and \$109,091 in fiscal 1989 is included to provide initial child care assistance to former Aid to Families with Dependent Children (AFDC) clients who are employed, and to provide information as to the program's impact on successful employment of AFDC clients.

Difference From Executive: The appropriation includes marriage dissolution fees not included in the executive budget and the New Horizons Program established by House Bill 888.



AGENCY: DIVISION OF WORKERS' COMPENSATION

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	175.25	199.50	204.25	4.75	199.50	204.25	4.75	29.00
Personal Services	\$3,919,515	\$4,478,602	\$4,583,276	\$ 104,674	\$4,485,131	\$4,589,308	\$ 104,177	16.93
Operating Expenses	2,310,860	2,882,042	3,032,019	149,977	2,777,401	2,907,129	129,728	31.21
Equipment	155,672	214,369	235,669	21,300	127,540	127,540	0	51.39
Non-Operating	1,611,841	1,080,199	632,746	(447,453)	1,477,937	1,029,921	(448,016)	-60.74
TOTAL EXPENSES	\$7,997,883	\$8,655,212	\$8,483,710	\$(171,502)	\$8,868,009	\$8,653,898	\$(214,111)	-6.07
FUNDING								
General Fund	\$ 99,978	\$ 657,444	\$ 69,582	\$(587,862)	\$ 632,029	\$ 64,583	\$(567,446)	-30.40
State Special Revenue	7,773,881	7,873,319	8,289,679	416,360	8,111,104	8,464,439	353,335	6.64
Federal Revenue	124,029	124,449	124,449	0	124,876	124,876	0	0.34
TOTAL FUNDING	\$7,997,883	\$8,655,212	\$8,483,710	\$(171,502)	\$8,868,009	\$8,653,898	\$(214,111)	-6.07

Program Description: The Division of Workers' Compensation is responsible for several laws relating to Montana's workers. The division administers the state workers' compensation insurance plan, monitors private workers' compensation insurance carriers and self-insured entities, assists businesses and individuals with information concerning the state workers' compensation statutes and with claims, and conducts safety reviews. It is comprised of four bureaus: 1) Administration; 2) State Insurance Fund; 3) Insurance Compliance; and 4) Safety and Health.

Budget: The Crime Victims Compensation Program, which provides payments to innocent victims of crime or their families, has been transferred to the Department of Justice in the 1989 biennium. The program's expenditures totaled \$422,940 in fiscal 1986, funded with a portion of the fines and citations issues by the highway patrol. A detailed discussion of budget issues is included in the narrative that follows.

Funding: General fund supports all costs of the Social Security Offsets Program in the Insurance Compliance Bureau. Prior to fiscal 1986, all silicosis benefit payments had been made with general fund. The payments were changed to Resource Indemnity Trust interest funds in fiscal 1986. The 1989 biennium budget maintains that funding.

State special revenue consists of state workers' compensation insurance funds, which provide most of the funding of the operational costs of the division, and of RIT funds, which fund all silicosis benefit payments and administration.

Federal funds consist of Occupational Safety and Health Administration, on-site evaluation, and coal mine safety funds.

Other Legislation:

1. House Bill 94 - makes membership in a national rating organization optional. The state currently belongs to the National Council on Compensation Insurance (NCCI), for which the budget includes \$262,500 in fiscal 1988 and \$275,624 in fiscal 1989. If the state were not to belong to this organization, a substantial savings could be realized.

2. House Bill 249 - requires that the Division of Workers' Compensation charge plan 3 policy holders an amount sufficient to cover administrative costs of the division. State workers' compensation funds totaling \$12,000 in fiscal 1988 were added to implement the bill.

3. House Bill 373 - provides that staffing levels of certain positions within the division will be determined by workload, with a goal of processing all claims for compensation within 14 days after initial acceptance of liability for the claim. No additional funds were added to implement this bill.

4. House Bill 884 - places an assessment on the payroll of all employers, regardless of the source of their workers' compensation insurance, of .3 percent for four years. The proceeds of the assessment would be used to reduce the unfunded liability, which is currently estimated at up to \$140 million. The assessment will raise approximately \$12 million each year.

5. Senate Bill 315 - is the Governor's Workers' Compensation bill and provides for a general revision of the workers' compensation statutes. The bill incorporates some of the recommendations of the Governor's Council on Workers' Compensation. Major provisions of the bill expected to impact the state trust fund include:

1. revision of the liberal construction clause;
2. establishment of mediation panels to hear disputed cases prior to the cases going to the Workers' Compensation Court;
3. establishment of rehabilitation panels to determine an injured worker's work capabilities, and adjustment in rehabilitation requirements and conditions;
4. establishment of impairment panels to more uniformly determine a worker's degree of impairment for purposes of determining what level of permanent partial benefits will be paid;
5. establishment by the division of a relative value fee schedule for medical services;
6. redefinition of conditions following injury;
7. regulation of attorneys' compensation;
8. elimination of requirement that the uninsured employers fund have surpluses and reserves, and regulation of payments from that fund;
9. adjustments in the definition of and method of determining impairment awards;
10. adjustment in the scope of benefits. The bill generally tightens eligibility for benefits rather than the level of benefits.

Due to the establishment of mediation, impairment and rehabilitation panels and the relative value fee schedule for medical services, 5.75 FTE and related expenses were added to the Insurance Compliance Program of the Division of Workers' Compensation, 6.0 FTE and related expenses were added to Employment Policy and 2.0 FTE and related expenses were added to the Job Service Program in the Employment Services Division, and 2.5 FTE and related expenses were added to the Department of Social and Rehabilitation Services. All additions are funded with state workers' compensation funds in accordance with Senate Bill 315.

The National Council of Compensation Insurance, a national insurance rating organization to which the state fund belongs, estimates a potential reduction of 20-25 percent in premium costs as a result of the total bill package. This reduction does not consider reducing the current unfunded liability. This estimate is also based upon estimated premium needed to maintain the present system, which is approximately 18 percent higher than the fiscal 1987 premium.

6. House Bill 309 - transfers the Crime Victims Compensation Program from the Division of Workers' Compensation to the Board of Crime Control. One FTE and related operating expenses were transferred from the Insurance Compliance Program, along with all payments.



AGENCY: DIVISION OF WORKERS' COMPENSATION

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	39.00	39.50	39.50	0.00		39.50	39.50	0.00		0.50
Personal Services	\$ 861,928	\$ 926,713	\$ 927,047	\$ 334		\$ 927,865	\$ 928,228	\$ 363		7.56
Operating Expenses	598,103	667,572	682,731	15,159		510,420	506,019	(4,401)		14.15
Equipment	50,433	46,804	46,804	0		42,393	42,393	0		-7.20
Non-Operating	0	9,962	9,962	0		431,338	431,338	0		N/A
TOTAL EXPENSES	\$1,510,464	\$1,651,051	\$1,666,544	\$15,493		\$1,912,016	\$1,907,978	\$(4,038)		10.33
FUNDING										
State Special Revenue	\$1,478,664	\$1,617,951	\$1,633,444	\$15,493		\$1,878,947	\$1,874,909	\$(4,038)		10.47
Federal Revenue	31,800	33,100	33,100	0		33,069	33,069	0		4.09
TOTAL FUNDING	\$1,510,464	\$1,651,051	\$1,666,544	\$15,493		\$1,912,016	\$1,907,978	\$(4,038)		10.33

Program Description: The Administration Program is responsible for overall management and support services of the division.

Legislative Intent: The 1.0 FTE legal secretary added via a modified budget is for the 1989 biennium only.

Budget: A 1.0 FTE programmer and a 0.5 FTE mail clerk were included on modified budgets. One FTE was internally transferred to the State Insurance Fund.

Operating expenses increase 14.15 percent as the cumulative result of the following: 1) data processing charges were reduced \$221,830, as the division had one-time expenses in fiscal 1986; 2) expenses of the Workers' Compensation Advisory Council were reduced \$17,528; 3) audit expenses total \$1,585 more than the fiscal 1986 total of \$40,000 in fiscal 1988 only; 4) payroll service fees total \$11,311 in fiscal 1988 and \$11,030 in fiscal 1989, compared with a fiscal 1986 total of \$1,814; 5) indirect costs total \$84,258 in fiscal 1988 and \$83,781 in fiscal 1989, compared with a fiscal 1986 total of \$80,491; 6) insurance costs of \$49,248 per year were added; 7) a software agreement with WANG was added totaling \$3,960; 8) janitorial expenses were raised \$8,244; 9) parking spaces were added at a cost of \$3,480 per year; 10)

maintenance contracts were increased \$2,268; 11) expenses of an anticipated major revision of the workers' compensation statutes total \$11,679 in fiscal 1988; 12) legal expenses were raised \$3,468; 13) postage for small business clinic mailings was increased \$6,300; 14) rent on a copier adds \$7,291, 15) phone enhancements total \$10,000 in fiscal 1988; 16) a modified budget to complete development of the division's computer system adds \$181,000 in fiscal 1988 and \$75,000 in fiscal 1989, and expenses related to the addition of 1.5 FTE on a modified budget add \$2,811 in fiscal 1988 and \$5,394 in fiscal 1989; and 17) expenses to develop a computer program as a result of House Bill 249 total \$12,000 in fiscal 1988.

Equipment consists of \$40,004 in fiscal 1988 and \$26,793 in fiscal 1989 for computer equipment, office equipment of \$1,500 each year, library books totaling \$1,600 in fiscal 1988 and \$2,200 in fiscal 1989, and software of \$11,900 in fiscal 1989. Miscellaneous equipment of \$3,700 was added via the modified budget adding 1.50 FTE.

Non-operating costs of \$9,962 in fiscal 1988 and \$431,338 in fiscal 1989 consist of transfers for building payments not funded with investment earnings. Building payments total \$430,463 in fiscal 1988 and \$431,338 in fiscal 1989.

#### Modifieds Approved:

1. Legal Secretary - State workers' compensation funds totaling \$17,541 in fiscal 1988 and \$17,518 in fiscal 1989 are included to retain 1.0 FTE legal secretary added by the 1985 legislature on a sunset basis to aid 2.0 FTE attorneys. The attorneys are included in a modified budget in the State Insurance Fund. This position is for the 1989 biennium only.

2. Computer Development - State workers' compensation funds totaling \$181,000 in fiscal 1988 and \$75,000 in fiscal 1989 are included to complete the development of the computer system currently being implemented.

3. Programmer/Mail Clerk - State workers' compensation funds totaling \$37,742 in fiscal 1988 and \$36,607 in fiscal 1989 are included to add 1.5 FTE to assist in the automation of identifying uninsured employers, generating management information reports, and assisting with in-coming mail.

Funding: State special revenue consists of state workers' compensation insurance funds. Federal revenue includes a grant from the federal Occupational Safety and Health Administration.

Difference From Executive: The difference between the executive budget and the appropriation occurs in two areas: 1) the executive budget did not include \$12,000 in fiscal 1988 to implement House Bill 249; and 2) recharges were \$4,933 less than originally contained in the executive budget in fiscal 1989.



AGENCY: DIVISION OF WORKERS' COMPENSATION

LEGISLATIVE ACTION

PROGRAM: STATE INSURANCE FUND

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	76.00	98.00	0.00	98.00	0.00	22.00
Personal Services	\$1,720,713	\$2,093,465	\$ 925	\$2,093,864	\$ 917	21.72
Operating Expenses	1,380,665	1,723,658	15,501	1,786,345	17,320	25.97
Equipment	37,629	110,641	0	56,550	0	194.03
TOTAL EXPENSES	\$3,139,007	\$3,927,764	\$16,426	\$3,936,759	\$18,237	25.65
STATE SPECIAL REVENUE	\$3,139,007	\$3,927,764	\$16,426	\$3,954,996	\$18,237	25.65

Program Description: The State Insurance Fund administers the state workers' compensation insurance fund. It enrolls employers requesting coverage and pays wage loss and medical benefits according to state law.

Legislative Intent: It is the intent of the legislature that the 10.0 FTE added via a modified budget be reviewed as to their continued necessity in the next biennium and that the positions not be requested as part of current level.

Budget: Twelve FTE transferred from Centralized Services and Job Service in fiscal 1987 were maintained in the 1989 biennium. Ten FTE, including 1.0 FTE claims examiner, 6.0 FTE field representatives, 1.0 FTE clerical staff, and 2.0 FTE attorneys, were added via a modified budget in response to increases in workload.

The rise in operating expenses of 25.97 percent is due to a number of factors: 1) reinsurance costs of \$151,196 in fiscal 1988 and \$151,121 in fiscal 1989 were added to increase the level of catastrophic reinsurance maintained; 2) data processing expenses were raised \$160,448 in fiscal 1988 and \$217,772 in fiscal 1989 to allow more central information processing and storage; 3) \$58,367 in fiscal 1988 and \$74,767 in fiscal 1989 were added for anticipated increases in the costs to the fund of the contract with the actuarial firm of Coates, Herfurth and England, dues to the National Council on Compensation Insurance (NCCI), and a physical therapy consultant; 4) internal audit expenses were reduced \$85,785 in fiscal 1988 and \$90,475 in fiscal 1989 due to budget cuts; and 5) related expenses of the additional 10.0 FTE added via the modified budget totaled \$46,529 in fiscal 1988 and \$46,974 in fiscal 1989.

Equipment consists of two automobiles in fiscal 1988 for \$17,304, computer equipment of \$35,175 in fiscal 1988 and \$36,600 in fiscal 1989, office equipment of \$3,450 in fiscal 1988 and \$19,650 in fiscal 1989, and \$300 for library books



each year of the biennium. Equipment added via the modified budget includes \$51,912 for vehicles and \$2,500 in office furnishings in fiscal 1988.

Modifieds Approved:

1. Workload Increase - 10.0 FTE, including 1.0 FTE claims examiner, 6.0 FTE field representative, 1.0 FTE supporting clerical staff, and 2.0 FTE attorney positions, are included in response to increases in workload. The modified is funded with state workers' compensation insurance funds totaling \$339,300 in fiscal 1988 and \$285,202 in fiscal 1989.

Funding: Funding is provided by state workers' compensation insurance funds, which are derived from premium, investments, assessments on employers, and other income.

Difference From Executive: The difference between the executive budget and the appropriation is due to the addition by the legislature of \$15,501 in fiscal 1988 and \$17,320 in fiscal 1989 to allow the division to process all outgoing mail, which was not included in the executive budget.

AGENCY: DIVISION OF WORKERS' COMPENSATION

LEGISLATIVE ACTION

PROGRAM: INSURANCE COMPLIANCE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	35.00	37.00	41.75	4.75	37.00	41.75	4.75	6.75
Personal Services	\$ 697,516	\$ 780,694	\$ 883,857	\$ 103,163	\$ 780,779	\$ 883,395	\$ 102,616	26.71
Operating Expenses	187,987	303,551	423,859	120,308	296,808	414,608	117,800	125.47
Equipment	39,303	33,700	55,000	21,300	4,100	4,100	0	39.94
Non-Operating	1,054,764	1,070,237	622,784	(447,453)	1,046,599	598,583	(448,016)	-40.96
TOTAL EXPENSES	\$1,979,570	\$2,188,182	\$1,985,500	\$(202,682)	\$2,128,286	\$1,900,686	\$(227,600)	0.30
FUNDING								
General Fund	\$ 99,978	\$ 657,444	\$ 69,582	\$(587,862)	\$ 632,029	\$ 64,583	\$(567,446)	-30.40
State Special Revenue	1,879,592	1,530,738	1,915,918	385,180	1,496,257	1,836,103	339,846	1.93
TOTAL FUNDING	\$1,979,570	\$2,188,182	\$1,985,500	\$(202,682)	\$2,128,286	\$1,900,686	\$(227,600)	0.30

Program Description: Insurance Compliance assists claimants, insurance adjusters and carriers, employers, attorneys, and medical providers in interpreting and complying with the workers' compensation and occupational disease acts and monitors private insurers' adequacy of coverage and payment to injured workers.

Budget: The increase of 6.75 FTE results from three factors: 1) transfer of the Crime Victims Compensation Program, including 1.0 FTE, to the Board of Crime Control; 2) the addition of 1.0 FTE claims examiner and 1.0 FTE administrative officer via modified budgets; and 3) the addition of 5.75 FTE for rehabilitation panel support and the regulation of hospital costs in accordance with Senate Bill 315, which provides a comprehensive revision of the workers' compensation statutes.

The rise in operating expenses of 125.47 percent is the cumulative result of the following: 1) \$23,040 was added each year for state fund required referrals of certain claimants; 2) data processing costs were increased \$110,298 in fiscal 1988 and \$110,998 in fiscal 1989; 3) \$5,709 in fiscal 1988 and \$5,706 in fiscal 1989 was transferred to the Board of Crime Control for administrative costs of the Crime Victims Compensation Program; 4) related expenses of the additional 2.0 FTE added in modified budgets total \$2,509 in fiscal 1988 and fiscal 1989; 5) internal audit expenses were increased

\$99,266 each year; and 6) the addition of \$16,453 in fiscal 1988 and \$13,703 in fiscal 1989 due to the passage of Senate Bill 315.

Equipment consists of computer equipment totaling \$24,800 in fiscal 1988 and \$3,200 in fiscal 1989 and office equipment of \$900 each year. Office equipment of \$8,000 was added in the two modified budgets in fiscal 1988 and \$21,300 was added in fiscal 1988 due to the passage of Senate Bill 315.

The following table illustrates the two grants administered by the bureau. The table includes the Crime Victims Compensation Program for comparison.

Table 1  
Grants - Division of Workers' Compensation

<u>Grant</u>	<u>Fund Source</u>	<u>Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Silicosis Benefits Administration Payments	Resource Indemnity Trust**	\$ 11,678	\$ 11,861	\$ 11,846
	Resource Indemnity Trust	600,600	553,200	534,000
Social Security Offsets Crime Victims* Administration Payments	General Fund	88,301	69,583	64,583
	State Crime Victims' Fund	57,077	58,789	60,553
	State Crime Victims' Fund	365,863	348,711	349,447
Total Grants		<u>\$1,123,519</u>	<u>\$1,042,144</u>	<u>\$1,020,429</u>

\*Transferred to Board of Crime Control in fiscal 1988.

\*\*General fund in fiscal 1986.

Social security offset payments are made to those persons adversely affected by a 1974 law offsetting payments from the division 100 percent for any social security payments received for the same purpose. The law was subsequently changed to a 50 percent offset.

Silicosis benefits are paid to those persons who contracted the disease on the job prior to 1959 and to widows of silicotics. The following table shows the number of silicosis cases, payment levels, and costs.



Table 2  
Silicosis Case Payments, Costs

Fiscal Year	Cases		Payments		Total Costs
	Silicotic	Widow	Silicotic	Widow	
1986	183	133	\$200	\$100	\$600,600*
1987 Projected	178	141	200	100	580,800**
1988 Projected	169	123	200	100	553,200
1989 Projected	163	119	200	100	534,000

\*Slight difference is due to fluctuations within fiscal year in number of claimants.

\*\*Actual appropriation. Projected cases upon which the appropriation was made total 171 regular cases and 142 widows.

#### Modifieds Approved:

1. Claims Examiner - State workers' compensation funds totaling \$26,532 in fiscal 1988 and \$22,521 in fiscal 1989 are included to add 1.0 FTE claims examiner position to reduce the workload of the current FTE.
2. Administrative Officer - State workers' compensation funds totaling \$30,911 in fiscal 1988 and \$26,898 in fiscal 1989 are included to add 1.0 FTE administrative officer position to deal with the self-insurance and insurer solvency programs.

Funding: General fund provides funding for social security offsets.

State special revenue consists of two funds: 1) state workers' compensation insurance funds totaling \$1,350,857 in fiscal 1988 and \$1,290,257 in fiscal 1989, which fund operational costs of the bureau, and 2) Resource Indemnity Trust interest earnings, which fund silicosis benefit payments and administration. These benefits had been paid with RIT interest funds in the 1987 biennium. Prior to that time the benefits had been paid with general fund.

Difference From Executive: The difference between the executive budget and the appropriation occurs in a number of areas: 1) the appropriation includes \$99,266 in internal audit expenses not included in the executive budget; 2) the executive budget includes all FTE, expenses and grants of the Crime Victims Program, which was transferred to the Board of Crime Control; and 3) the executive budget did not include FTE or expenses to implement Senate Bill 315. The difference in general fund is due to the executive budget funding all silicosis benefit payments and administration with general fund. The legislature funded the program with Resource Indemnity Trust interest earnings.

AGENCY: DIVISION OF WORKERS' COMPENSATION

LEGISLATIVE ACTION

PROGRAM: SAFETY AND HEALTH

BUDGET ITEM	FY 1986 Actual	----- Executive	Fiscal 1988 Legislature	----- Difference	----- Executive	Fiscal 1989 Legislature	----- Difference	FY 86-88 % Change
FTE	25.00	25.00	25.00	0.00	25.00	25.00	0.00	0.00
Personal Services	\$639,361	\$677,730	\$677,982	\$ 252	\$682,623	\$682,904	\$ 281	6.04
Operating Expenses	144,108	187,261	186,270	(991)	183,828	182,837	(991)	29.26
Equipment	28,306	23,224	23,224	0	24,497	24,497	0	-17.95
TOTAL EXPENSES	\$811,775	\$888,215	\$887,476	(\$739)	\$890,948	\$890,238	(\$710)	9.33
FUNDING								
State Special Revenue	\$719,541	\$796,866	\$796,127	(\$739)	\$799,141	\$798,431	(\$710)	10.64
Federal Revenue	92,234	91,349	91,349	0	91,807	91,807	0	-0.96
TOTAL FUNDING	\$811,775	\$888,215	\$887,476	(\$739)	\$890,948	\$890,238	(\$710)	9.33

Program Description: The Safety and Health Bureau is responsible for administering the state's industrial safety laws.

Budget: The increase in operating expenses of 29.26 percent is the cumulative result of the following: 1) current level travel was reduced \$8,513 each year, as increased travel is included in a modified budget due to a proposed change in division policy to increase field work and travel; 2) insurance was increased \$686; 3) \$2,190 was added in fiscal 1988 to reprint the Montana safety laws and rules; and 4) a modified budget adds \$45,609 in fiscal 1988 and \$45,668 in fiscal 1989 for increased travel and other expenses. Equipment includes two vehicles each year totaling \$17,304 in fiscal 1988 and \$21,152 in fiscal 1989, computer equipment of \$2,995 in fiscal 1988, a video recorder for \$800 in fiscal 1988, code books for \$625 in fiscal 1988 and \$995 in fiscal 1989, and films for \$1,500 each year. The modified budget adds \$850 in fiscal 1989 for a video camera.

Modifieds Approved:

1. Loss Control - State workers' compensation insurance funds totaling \$45,609 in fiscal 1988 and \$46,518 in fiscal 1989 are included to expand the travel conducted by field personnel to increase their loss control activities and provide more assistance to the State Insurance Fund.

Funding: State special revenue consists of state workers' compensation funds. Federal revenue consists of coal mine safety funds of \$39,602 in fiscal 1988 and \$39,744 in fiscal 1989, and on-site consultation funds totaling \$51,747 in fiscal 1988 and \$52,063 in fiscal 1989.



AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	726.43	737.96	19.81	738.47	16.81	31.34
Personal Services	\$ 16,206,930	\$ 17,557,525	\$ 1,350,595	\$ 17,569,706	\$ 1,362,776	
Operating Expenses	9,128,568	12,445,278	3,316,710	9,829,197	71,629	10.91
Equipment	218,635	482,639	264,004	480,144	(2,495)	41.87
Non-Operating	183,588,816	224,744,027	41,155,211	237,769,513	13,025,486	-27.30
TOTAL EXPENSES	\$209,142,949	\$255,229,469	\$46,086,520	\$265,648,560	\$10,419,091	32.70
FUNDING						
General Fund	\$ 59,195,874	\$ 70,252,325	\$ 11,056,451	\$ 71,089,616	\$ 833,291	27.29
State Special Revenue	7,777,527	8,548,086	770,559	8,934,248	386,162	5.64
Federal Revenue	142,169,548	176,429,058	34,259,510	185,624,696	9,195,138	34.45
TOTAL FUNDING	\$209,142,949	\$255,229,469	\$46,086,520	\$265,648,560	\$10,419,091	

Program Description: The Department of Social and Rehabilitation Services administers the majority of the state's human services programs. Services include cash assistance payments to recipients of Aid to Families with Dependent Children, and the General Assistance Relief Program in state assumed counties; reimbursement to health care providers for medical services to medicaid clients; services for the vocationally and visually handicapped; and community-based placement services for the state's developmentally disabled.

A major change in the department's mission has been the creation of the new Department of Family Services. Services that were formerly provided through the Social Services Program of SRS, including Foster Care and Aging Services Programs, have been transferred to the new department. The transfer of the Social Services Program and some administrative staff and operating costs from SRS has reduced SRS's total expenditures by approximately \$24 million per year.



Budget: The budget adopted by the legislature provides a 28.3 percent increase in total funds for SRS from fiscal 1986 to fiscal 1988. Of the 30.34 additional FTE added during the 1989 biennium, 15.0 FTE are not new positions but result from the transfer of existing positions from the Social Services Program (which is now part of the new Family Services Department) to the Eligibility Determination Program. Other positions were added either as part of modified requests or were included as new positions that had been added during fiscal 1987 by budget amendment. The 18.81 difference in FTE between the executive request and the legislatively approved FTE level includes the 15.80 FTE transferred from the Social Services Program to the Eligibility Determination Program, and 2.37 FTE added to the Vocational Rehabilitation Program to assist in implementing the provisions of House Bill 315 which reorganizes the workers' compensation statutes. The balance of 0.64 FTE is the net result from minor adjustments made to other programs in the Department.

Personal services costs increase \$1.7 million between fiscal 1986 and 1988 due to the additional FTE and the fact that the 1989 biennium costs are based on a fully funded fiscal 1987 pay matrix. With the exception of the Eligibility Determination Program, the department was budgeted for a 4 percent vacancy savings during the 1989 biennium. Because the Eligibility Determination Program had experienced a 7 percent vacancy savings factor during fiscal 1986, the legislature applied a 5 percent vacancy savings to this program for the 1989 biennium. The difference between the executive requested amount for personal services and legislative funding is almost entirely due to the transfer of position from the Social Services Program to the Eligibility Determination Program.

Operating expenses increase 42 percent from fiscal 1986 to fiscal 1988. In addition to the general increase in the level of services provided, the primary reason for the increase in operating costs is the addition of \$3.3 million for the Assistance Payments Program for implementation of a new computer system to track and verify client eligibility for welfare services. Differences between the executive request and legislative funding are primarily in the Assistance Payments Program which includes \$445,000 per year of federal spending authority to allow transfer of funds between SRS and the new Family Services Department for costs of providing food commodities, social worker services, and refugee programs. This transfer of funds is necessary because SRS is the federally designated state agency for receipt of federal medicaid and refugee funding.

Approved modifications add \$6.5 million of total funds for fiscal 1988 of which \$0.8 million is general fund. For fiscal 1989, total funds of \$4.5 million were added for approved modified requests of which \$1.1 million is general fund. Except for the implementation of the computer system in the Assistance Payments Program, the majority of funds approved as modifications were for expansion of benefit programs in the Vocational Rehabilitation and Developmental Disabilities Programs.

As shown in the table on the previous page, the most significant increases in costs between fiscal 1986 and the legislative funding for the 1989 biennium occur primarily in the grants and benefits portion of the budget which increases \$53.7 million or 29.2 percent. Although minor inflationary increases are included in the rate of reimbursement paid service providers, the majority of the increase is directly attributable to the projected increases in AFDC, Supplemental Security Income (SSI), and State Medical caseloads. In addition to increased payments for AFDC, which results from a 15.8 percent increase in caseload between fiscal 1986 and fiscal 1988, all AFDC recipients are also eligible for medicaid. Medicaid costs increased \$39.1 million or 37.3 percent between fiscal 1986 and fiscal 1988. The difference between the executive and legislative funding for benefits is primarily the result of updated medicaid projections made during the legislative session and the increased costs associated with the State Medical Program. State Medical costs, which are 100 percent general fund, increased from \$2.5 million in fiscal 1986 to \$6.0 million in fiscal 1988.

Total funds increase 28.3 percent, general fund increases 28.1 percent, and federal funds increase 30.0 percent. In addition to overall increases in services provided, the principle cause of the increase in general fund is the increase in State Medical and the replacement of lost county mill levy with general fund. The majority of the state special revenue funds are the 12 mills levied by those counties where the state has assumed responsibility for operation of the local welfare program. Federal funds increase both as a result of increased services and the change in the federal matching ratio for Medicaid and AFDC from 65.89 percent in fiscal 1986 to 68.91 percent in fiscal 1988 and 70.92 percent in fiscal 1989. The increased federal matching ratio means that while total costs for these programs are rising very significantly, there is a major shift in the cost of these programs from state to federal resources. However, this shift in costs could reverse when Montana's economy improves and the federal match is adjusted downward.

Other Legislation:

1. House Bill 581 - This bill exempts the first \$50 earned each month from the monthly income standard for general relief. By exempting the first \$50 of income, the intent of the bill is to provide an incentive for recipients of general assistance to accept some part-time employment that might lead to full-time employment. During testimony on the impact of House Bill 581, no information was provided to indicate the potential reduction in the general assistance caseload or general fund savings associated with implementation of the bill.

2. House Bill 621 - House Bill 621 provides for two separate appropriations of federal Oil Overcharge funds to SRS during the 1989 biennium; \$2.5 million is appropriated to SRS for a reserve account to be used in the Low Income Energy Assistance Program and Home Weatherization Program if federal grants for either of the programs are reduced below the federal fiscal 1987 level. SRS may not use the principle of the reserve account to increase expenditures in either program above the level of the grant for that program for federal fiscal year 1987. A second biennial appropriation of \$3.2 million is made for the Home Weatherization Program and may be used regardless of the federal funding level in the 1989 biennium. Language is also included in the bill which encourages Human Resource Development Councils and other agencies that receive weatherization funds to hire people who are eligible for general assistance.



AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

LEGISLATIVE ACTION

PROGRAM: ASSISTANCE PAYMENTS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change	
		Executive	Legislature	Executive	Legislature	Difference	
FTE	47.50	48.75	49.75	48.75	49.75	1.00	2.25
Personal Services	\$ 1,182,928	\$ 1,390,340	\$ 1,412,375	\$ 1,390,956	\$ 1,413,163	\$ 22,207	19.40
Operating Expenses	1,694,631	4,753,478	5,211,320	2,280,442	2,741,799	461,357	207.52
Equipment	32,769	416,363	501,363	423,847	423,847	0	1429.99
Total Operating	\$ 2,910,328	\$ 6,560,181	\$ 7,125,058	\$ 4,095,245	\$ 4,578,809	\$ 483,564	144.82
Benefits							
Food Stamps	\$ 24,386	\$ 28,892	\$ 28,892	\$ 30,048	\$ 30,048	\$ 0	18.48
Burials	0	0	92,000	0	92,000	92,000	100.00
Nonresident GA	29,999	30,000	180,000	30,000	180,000	150,000	500.02
Solar Bank	58,651	187,500	187,500	187,500	187,500	0	219.69
Training	71,910	183,787	150,000	183,787	150,000	(33,787)	108.59
Legal Services	99,999	50,000	100,000	50,000	100,000	50,000	0.00
TEFAP	139,713	0	0	0	0	0	-100.00
Job Search	153,523	361,752	361,752	491,752	491,752	0	135.63
Day Care	579,027	687,694	687,694	687,694	740,326	52,632	18.77
CSBG	1,207,849	1,309,485	1,309,485	1,361,864	1,361,864	0	8.41
Weatherization	1,705,905	1,854,924	5,054,924	1,929,121	1,929,121	0	196.32
General Assistance	4,586,618	5,031,455	3,932,568	6,030,218	3,447,576	(2,582,642)	-14.26
LIEAP	9,728,665	11,031,693	12,269,268	11,031,693	9,769,268	(1,262,425)	26.11
AFDC	33,786,383	40,392,994	37,760,074	43,029,684	41,761,073	(1,268,611)	11.76
Total Benefits	\$52,172,628	\$61,150,176	\$62,114,157	\$65,043,361	\$60,240,528	\$ (4,802,833)	19.06
TOTAL EXPENSES	\$55,082,926	\$67,710,357	\$69,239,215	\$69,138,606	\$64,819,337	\$ (4,319,269)	25.70
FUNDING							
General Fund	\$16,591,311	\$18,521,139	\$16,941,601	\$19,114,974	\$16,477,684	\$ (2,637,290)	2.11
Federal Revenue	38,491,615	49,189,218	52,297,614	50,023,632	48,341,653	(1,681,979)	35.87
TOTAL FUNDING	\$55,082,926	\$67,710,357	\$69,239,215	\$69,138,606	\$64,819,337	\$ (4,319,269)	25.70



Program Description: The Assistance Payments Program is administered through the Economic Assistance Division and includes Aid to Families with Dependent Children (AFDC), Day Care Services, Food Stamp and Commodities Programs, the Low Income Energy Assistance Program (LIEAP), the Community Services Block Grant (CSBG), and the state administered General Assistance Payments Program.

Language in Bill: SRS is directed to implement a pilot, percentage-of-income LIEAP project within the next biennium and report to the the Fifty-first Legislature the feasibility of adopting such a system statewide.

Legislative Intent: The intent of the legislature in requiring a pilot, percentage-of-income project for the LIEAP program is to demonstrate the feasibility of establishing the level of LIEAP benefits paid to recipients according to a sliding income scale. The purpose of the sliding income scale would be to target the maximum amount of benefits to those individuals most in need.

Ten percent of the Low Income Energy Assistance Program grant will be transferred to the Social Services Block Grant each year and ten percent of the grant will be transferred to the Weatherization Program in the 1989 biennium.

It is the legislature's intent that 95 percent of the total Community Services Block Grant funds be allocated to the Human Resource Development Councils.

It is the legislature's intent that funds appropriated to SRS to contract with the Montana Legal Services Corporation be used for general relief clients seeking eligibility for the federal Supplemental Security Income (SSI) Program and those current recipients of SSI who have been notified of termination of their benefits with the intent of reducing the general fund caseload by a minimum of 320 clients by the end of the 1989 biennium.

Budget: The net increase of 2.25 FTE between fiscal 1986 and the 1989 biennium results from the addition of three FTE to implement the computerization of the eligibility program, the addition of one truck driver for the food commodities program, and the transfer of 1.75 FTE to other programs in the department.

Operating costs increase over the fiscal 1986 level due principally to four factors: 1) \$175,000 of federal funds were added for each year of the 1989 biennium to expand the Food Commodities Program (TEFAP); 2) \$455,000 of federal spending authority was added each year of the biennium to allow transfer of funds between SRS and the new Family Services Department. This was necessary because SRS is the designated state agency to receive both federal medicaid funds and federal refugee funds which are then used by SRS to reimburse services provided by the Family Services Department; 3) \$3,362,019 in fiscal 1988 and \$906,051 in fiscal 1989 was added to enhance the department's computerization of welfare eligibility determination; and 4) \$109,877 was added in fiscal 1988 to purchase a semitractor/trailer for distribution of food commodities and to pay the salary of one FTE truck driver.

Total funds increase 25.7 percent from fiscal 1986 to fiscal 1988. However, general fund only increases 2.1 percent while federal funds increase 35.9 percent. The principal cause for the increase in total funds is the increase in AFDC caseload, the inclusion of the unemployed parent as eligible for AFDC payments during the latter part of fiscal 1986 for the 1989 biennium, and the addition of \$5.7 million of Oil Overcharge funds for the LIEAP and Home Weatherization programs. Federal funds increase at a higher rate than general fund as a result of the increased federal match ratio for AFDC payments and the fact that the additional Oil Overcharge funds are 100 percent federal funds. The matching ratio for federal funds increases from 65.89 percent in fiscal 1986 to 68.91 percent in fiscal 1988

and 70.92 percent in fiscal 1989. The effect of the increased federal match rate is a shift from state to federal resources of a significant portion of the additional costs associated with the increased AFDC caseload.

Difference From Executive:

1. The difference between the executive's recommended level of FTE and legislative appropriation is the 1.0 FTE truck driver for the Food Commodities program that was not included in the original executive request.
2. The higher legislative appropriation for operating expenses than requested by the executive results primarily from the addition of \$455,000 in federal authority to contract with the new Family Services Department for distribution of food commodities for the elderly.
3. The \$85,000 more appropriated by the legislature for equipment in fiscal 1988 is for the purchase of a semitractor/trailer that was not included in the original executive request.

The following describes legislative action for each of the benefit programs in the Assistance Payments Program.

**Food Stamps:** These funds are used to pay the administrative costs of the food stamp issuance program on an Indian reservation. The legislature adopted funding for the 1989 biennium that included a minor increase over the fiscal 1986 actual expenditures. The food stamp program is funded with 75 percent federal funds and 25 percent local funds.

**Burials:** This benefit was formerly included as part of the general assistance payments budget. Cost of this program is part of the costs associated with the state's assumption of the 12 county welfare programs. Funding for this benefit is 100 percent general fund and is funded at the fiscal 1986 actual expenditure level of \$92,000 per year for the 1989 biennium.

**Nonresident General Assistance:** This 100 percent general fund program provides temporary assistance to non-resident transients for up to three days lodging and food or for emergency medical assistance. During fiscal 1986, a single emergency medical case cost in excess of \$120,000. In response to the potential increase in costs for emergency medical assistance, the legislature appropriated \$180,000 per year for this program, of which only \$30,000 per year may be spent for food, lodging, or transportation with the balance used for emergency medical assistance.

**Solar Bank:** This 100 percent federally funded program provides assistance to low income persons to upgrade their heating systems. The legislature adopted the executive recommendation of \$187,500 per year of the 1989 biennium.

**Training:** No general funds are included under this program. The \$150,000 per year is a combination of federal funds and local match funds for training programs for eligibility workers regarding changes in federal regulations impacting AFDC.

**Legal Services:** The Assistance Payments program contracts with the Montana Legal Services Corporation to provide legal assistance to general assistance recipients in filing for the federal Supplemental Security Income program. Funding for the contract is 100 percent general fund. The intent of the grant is to remove persons from general assistance which is 100 percent general fund and place them on SSI which is 100 percent federally funded. The



legislature anticipates that the funding for this program would remove 320 general assistance clients by the end of the 1989 biennium.

**TEFAP:** The Temporary Emergency Food Assistance Program (TEFAP) is a 100 percent federally funded program to provide nutritional assistance to low income persons. Funding for this program is \$175,000 per year for the 1989 biennium; however, the funds are budgeted under contract services rather than under grants and benefits as was the case during the 1987 biennium.

**Job Search:** This 100 percent federally funded program is designed to assist food stamp recipients in locating employment. Funding for the program was set at the anticipated level of available federal funds.

**Day Care:** Day care is provided to AFDC recipients who are working or participating in work-related training programs. Costs associated with employment-related day care are considered a work-related expense and are included as a deduction when calculating the AFDC payment. Training-related day care is paid directly to the provider when the AFDC recipient is participating in such programs as vocational technical schooling or WIN work experience. This program is funded at the same federal match rate as regular AFDC benefits or approximately 30 percent general fund. Funding for the day care program was approved at \$687,694 in fiscal 1988 and \$740,326 in fiscal 1989. Increases in the day care program result from the anticipated increase in the AFDC caseload.

**CSBG:** The Community Services Block Grant (CSBG) includes county anti-poverty programs originally established under the Federal Economic Opportunity Act of 1964. State statute requires that 90 percent of the funds be allocated to Human Resource Development Councils in support of local programs, 5 percent is retained by SRS for administration and 5 percent may be used as discretionary funds. The legislature anticipates the total CSBG for fiscal 1988 to be \$1,378,405 and \$1,433,541 in fiscal 1989. Ninety-five percent of the total CSBG is to be allocated to the HRDC's and is included as grants in the Assistance Payments Program. Five percent, or \$68,920 in fiscal 1988 and \$71,677 in fiscal 1989, may be used for state administration.

**Weatherization:** This 100 percent federally funded program provides assistance to low income persons in weatherizing their homes. The approved funding for this program includes anticipated federal grant funds which are \$1,854,924 in fiscal 1988 and \$1,929,121 in fiscal 1989 plus a biennial appropriation of \$3.2 million from the Oil Overcharge funds appropriated under HB 621.

**General Assistance:** The General Assistance Program is intended to provide financial assistance to needy persons who do not qualify for any other state or federal benefit program. Funding for the General Assistance Program is 100 percent general fund in the 12 counties where the state has assumed administration of the county welfare programs and 100 percent county funds in the other 44 counties. Two factors determine general assistance costs: 1) the size of the caseload, and 2) the amount of the average monthly payment. Table 1 shows the growth of the general assistance caseload and average monthly payment for the 12 assumed counties from fiscal 1982 through fiscal 1989.



Table 1  
General Assistance Caseload, Monthly Payment Level, and Total Cost  
Fiscal 1982 through 1989

<u>Fiscal Year</u>	<u>Caseload</u>	<u>Payment Level</u>	<u>Total Cost</u>
1982	713	\$117	\$1,001,052
1983	947	140	1,590,960
1984	1,205	141	2,038,779
1985	1,704	207	4,245,721
1986	1,931	198	4,586,618
1987*	1,875	212	4,770,000
----- Legislative Action -----			
1988	1,698	193	3,932,568
1989	1,451	198	3,447,576

\*Projected

As is the case with AFDC, the appropriation for general assistance payment levels is set by the legislature as a percentage of the federal poverty index. However, during the 1985 legislative session, the actual payment levels for general assistance were amended into state statute under Section 53-3-205. Thus, any adjustment in the payment level made through the appropriation process would also require amendment of the pertinent state statutes. No changes were made to Section 53-3-205 to reflect the reduced funding level and, therefore, the state must continue to pay general assistance benefits at the level prescribed under Section 53-3-205 which is frozen at the fiscal 1987 level. According to Department of Social and Rehabilitation Service's attorneys, because both the AFDC and General Assistance Programs are intended to serve similar indigent populations and are based on similar needs tests, the payment levels must also be comparable to avoid violation of the equal protection clause of the constitution. Thus, for both the AFDC and general assistance programs the state will have to pay higher benefit levels than provided for under the appropriation. The estimated additional cost of the higher payment levels is \$2.5 million general fund for the 1989 biennium.

House Bill 33, passed during Special Session III, limited general assistance benefits for able-bodied individuals to two months in any 12 month period. However, a court injunction has prohibited SRS from implementing the changes contained in House Bill 33 pending an appeal of the case to the Supreme Court. Funding for the general assistance program was based on a caseload that assumes the state will prevail in the Supreme Court's ruling and be allowed to implement the provisions of House Bill 33.

**LIEAP:** The Low Income Energy Assistance Program (LIEAP) provides assistance to low income persons in fuel and home heating costs. The anticipated level of the federal LIEAP grant is \$11,035,480 for both years of the 1989 biennium. It is the legislature's intent that 10 percent of the grant award must be transferred to the developmental

disabilities program to be used in that program for services to the developmentally disabled, and 10 percent of the grant award is to be transferred to the weatherization program. Approximately 5 percent, \$475,640 per year, of the grant award is retained by SRS to administer the program and the balance is used for benefits. Included in the amount of LIEAP benefits for fiscal 1988 is \$1,952,559 of carry over funds from fiscal 1987, and included in the benefits for fiscal 1989 is \$1,639,583 of carry over funds from fiscal 1988. The amount shown on the main table for benefits, \$9,769,268, is composed of \$8,748,168 for fuel assistance grants, \$517,556 for local administration, and \$1,103,548 for weatherization. Refunds of \$600,000 per year are anticipated for the 1989 biennium. In addition to the federal grant funds appropriated in House Bill 2, \$2.5 million is appropriated in HB 621 as a reserve account that may be used for the LIEAP and Weatherization programs only if the level of federal grant funds available for the 1989 biennium is less than the federal grant available in federal fiscal year 1987.

**AFDC:** Aid To Families With Dependent Children (AFDC) is a cash assistance program to assist needy families with dependent children. The program is jointly funded by the state, county, and federal government with approximately 30 percent general funds. Because the average payment is higher for the unemployed parent AFDC family, for budgeting purposes the projected AFDC caseload is divided into regular cases and unemployed parent cases. The following table shows the fiscal 1986 actual caseload and payment levels and the 1989 biennium projected caseload and approved payment levels.

Table 2  
Legislative Funding For AFDC - Fiscal 1986 and the 1989 Biennium

<u>Avg. Monthly Caseload</u>	<u>Actual Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Regular	8,052	9,326	10,038
Unemployed Parent	623	979	1,054
Payment			
Regular	\$317.83	\$296.68	\$303.92
Unemployed Parent	411.50	387.95	407.35
<u>Cost</u>			
Regular	\$30,709,997	\$33,202,460	\$36,608,967
Unemployed Parent	3,076,385	4,557,614	5,152,106
<u>Funding</u>			
Federal Funds	\$22,261,847	\$26,020,467	\$29,616,953
County Funds	682,485	706,113	730,819
General Funds	10,842,050	11,033,494	11,413,301
Total Funds	<u>\$33,786,383</u>	<u>\$37,760,074</u>	<u>\$41,761,073</u>



As may be seen from the above table, the regular caseload is estimated to grow from an average monthly caseload of 8,052 in fiscal 1986 to 9,326 in fiscal 1988 or a 15.8 percent increase. Between fiscal 1988 and fiscal 1989, the regular AFDC caseload is expected to increase 7.6 percent to 10,038. The unemployed parent caseload is projected to increase from 623 in fiscal 1986 to 979 in fiscal 1988 or 57 percent. The rate of increase for the unemployed parent caseload from fiscal 1988 to fiscal 1989 is projected to be equal to the regular caseload or 7.6 percent. The large increase in caseload for the unemployed parent program from fiscal 1986 to 1988 is due to the eligibility of this group for AFDC benefits beginning April, 1985.

Payment levels for AFDC have historically been set by the legislature as a percent of the federal poverty index. During the 1985 legislative session, the payment level was set at 47 percent of the poverty index. However, during Special Session III, the AFDC payment levels for fiscal 1987 were frozen at the fiscal 1986 level. The legislature has set the appropriation for the AFDC payment levels during the 1989 biennium at 41 percent of the poverty index in fiscal 1988 and 40 percent of the poverty index in fiscal 1989. However, as described above under the discussion of the General Assistance Program, because the state statutes specifying the payment levels for General Assistance were not amended the state must continue to pay AFDC benefits at the fiscal 1987 level. The additional cost of having to pay AFDC benefits at the fiscal 1987 payment level is estimated to be \$1,073,462 of general fund in fiscal 1988 and \$775,444 general fund in fiscal 1989. As a percent of the poverty index, the fiscal 1987 payment level will be approximately 44 percent in fiscal 1988 and approximately 42 percent in fiscal 1989. The change in the payment level as a percent of the poverty index occurs because the poverty index is increased each year to reflect increases due to inflation.

#### Modifieds Approved:

1. Project to Reinforce Increased Dedication to Employment (PRIDE): This modification is an expansion of the federally funded job search program currently operated by the department to assist food stamp recipients in finding employment. Services provided under this program include: 1) matching food stamp applicants with available job openings; 2) providing counseling and vocational testing; and 3) providing referral services to other Job Training Partnership Act programs. Additional federal funds of \$130,000 in fiscal 1988 and \$260,000 in fiscal 1989 were approved for this program.

2. Family Assistance Management Information System (FAMIS): This modification would fund the development and installation of a computerized system for determination and verification of client eligibility for public assistance programs. The majority of the funds will be spent to purchase, modify and install an existing software package that has been used in other states with similar welfare programs. Personal computers would be placed in county welfare offices providing eligibility technicians a direct link to the state's mainframe computer at the Department of Administration. To implement the new computer system, the department received 3.0 additional FTE. Funding for this modified is approximately 14.5 percent general fund. The total approved is \$3,362,019 in fiscal 1988 of which \$490,518 is general fund, and \$906,051 in fiscal 1989 of which \$130,006 is general fund.



AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

LEGISLATIVE ACTION

PROGRAM: ELIGIBILITY DETERMINATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	365.99	372.31	388.75	16.44	372.31	388.75	16.44	22.76
Personal Services	\$7,106,152	\$7,916,017	\$8,246,307	\$330,290	\$7,913,075	\$8,243,760	\$330,685	16.04
Operating Expenses	116,105	117,807	138,694	20,887	117,301	138,188	20,887	19.46
TOTAL EXPENSES	\$7,222,257	\$8,033,824	\$8,385,001	\$351,177	\$8,030,376	\$8,381,948	\$351,572	16.10
FUNDING								
General Fund	\$1,978,507	\$2,249,471	\$2,235,057	\$(14,414)	\$2,248,505	\$2,234,149	\$(14,356)	12.97
Federal Revenue	5,243,750	5,784,353	6,149,944	365,591	5,781,871	6,147,799	365,928	17.28
TOTAL FUNDING	\$7,222,257	\$8,033,824	\$8,385,001	\$351,177	\$8,030,376	\$8,381,948	\$351,572	16.10

Program Description: The Eligibility Determination program includes funding for county welfare eligibility staff, clerical staff, and the county welfare directors' salaries. The primary function of the program is to determine eligibility for food stamps, AFDC, medicaid, and general assistance recipients.

Legislative Intent: It is the intent of the legislature that SRS be allowed to hire, through the budget amendment process, such additional eligibility technician personnel as is deemed necessary for non-state assumed counties where there would be no increase in general fund. If any additional county opts for state assumption of its county welfare program, any additional staff hired through the budget amendment process in that county must be terminated.

Budget: In addition to the 365.99 FTE authorized for fiscal 1986, 3.82 FTE were added during fiscal 1987. The legislature approved transfer of the personnel costs of the county welfare directors and clerical staff that had formerly been included in the Social Services Program when that program was part of SRS. Prior to the transfer of the Social Services Program to the new Department of Family Services, 20 percent of the county welfare directors' salaries were paid from the Social Services budget with the remaining 80 percent included in the Eligibility Determination program budget. When the Social Services program was included in the new department, the personnel cost of the county

welfare directors was retained in the Eligibility Determination program. The 20 percent of the salaries are equivalent to 15.8 FTE. However, the legislature also approved elimination of 6.56 other FTE: 1.2 FTE were eliminated as the result of transfer of the positions to other programs within SRS; 5.36 FTE were vacant throughout fiscal 1986 and did not appear to be essential to the operation of the program. As noted below, 9.7 FTE were added as an approved modified request. Additionally, the legislature approved a 5 percent vacancy savings factor for this program. During fiscal 1986, the program had experienced a 7 percent vacancy savings. The increase in operating expenses over the fiscal 1986 expenditure level is primarily due to increased travel associated with the additional FTE added as a modified request.

Modifieds Approved:

1. Additional Eligibility Technicians - This modified adds 9.7 FTE in non-state assumed counties that had been added by budget amendment in November, 1986. Funding for these positions equals \$206,970 in fiscal 1988 and \$207,227 in fiscal 1989. Additionally, \$20,887 per year was added for travel costs for the new positions. This modified is funded entirely with federal and county funds. If any county where these positions have been added becomes a state assumed county, the additional positions in that county will be eliminated.

Funding: Funding for the program is a combination of federal funds, county funds, and general fund. Costs for the eligibility program in those counties where the state has assumed administration of the welfare program are paid with 56 percent general fund and 44 percent federal funds. In the nonassumed counties there are no general funds and the costs are split 56 percent county funds and 44 percent federal funds.

Difference From Executive: Differences between the executive request and legislative funding for the 1989 biennium are the result of the additional 15.8 FTE transferred to the Eligibility Determination Program from the Social Services Program.



AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATIVE AND SUPPORT SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	84.68	73.20	73.20	0.00	73.20	73.20	0.00	-11.48
Personal Services	\$2,112,724	\$1,930,892	\$1,940,743	\$ 9,851	\$1,930,162	\$1,940,087	\$ 9,925	-8.14
Operating Expenses	854,971	1,055,969	1,045,246	(10,723)	922,216	913,171	(9,039)	22.32
Equipment	26,559	18,770	18,770	0	19,062	19,062	0	-31.53
TOTAL EXPENSES	\$2,994,254	\$3,005,631	\$3,004,759	\$ (872)	\$2,871,440	\$2,872,320	\$ 880	0.35
FUNDING								
General Fund	\$1,330,045	\$1,249,875	\$1,253,542	\$ 3,667	\$1,192,901	\$1,196,115	\$ 3,214	-5.75
Federal Revenue	1,664,209	1,755,756	1,751,217	(4,539)	1,678,539	1,676,205	(2,334)	5.23
TOTAL FUNDING	\$2,994,254	\$3,005,631	\$3,004,759	\$ (872)	\$2,871,440	\$2,872,320	\$ 880	0.35

Program Description: The Administration and Support Services program includes the director's office, fiscal bureau, legal office, support staff for statistics and research, personnel management, and data processing. The program provides the agency's overall direction for policy development, budgeting and coordination of services.

Budget: A reduction of 3.98 FTE was made by SRS during fiscal 1987 in response to the Special Session III 5 percent reduction in expenditures. The legislature approved the transfer of 6.5 FTE administrative and clerical positions and associated personnel costs from the Administration and Support program of SRS to the Management Support program in the new Department of Family Services. Approximately \$84,000 of operating costs were also transferred from this program to the new department. Transferred costs included \$38,600 in contracted services, \$16,000 for supplies, \$21,400 for communications, and \$9,000 in rent, repairs and maintenance, and other expenses. The legislature adopted the executive request for operating expenses which included \$25,000 more for various contracted services in fiscal 1988 than the current level, and \$10,000 more in contracted services in fiscal 1989. The legislature also added \$18,000 each year for postage and messenger services and \$145,000 per year for the Statewide Cost Allocation Plan. Additional increases over the fiscal 1986 actual expenditures include \$63,000 in fiscal 1988 for audit fees and \$21,000 per year in rent. Equipment approved included purchase of two vehicles each year of the biennium.

Funding: Support for the program is a combination of 46 percent federal funds which includes 35 different federal funding sources allocated to the program according to a departmental cost allocation system, 10 percent county funds and 41.6 percent general fund.



BUDGET ITEM	LEGISLATIVE ACTION				PROGRAM, COUNTY ADMINISTRATION			
	AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES		FISCAL 1988		FISCAL 1989		FY 86-88	
	FY 1986 Actual	Executive	Legislature	Difference	Executive	Legislature	Difference	% Change
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	\$1,252,678	\$1,324,220	\$1,258,085	\$(66,135)	\$1,224,285	\$1,242,314	\$18,029	0.43
Equipment	94,157	15,262	15,262	0	15,262	15,262	0	-83.79
TOTAL EXPENSES	\$1,346,835	\$1,339,482	\$1,273,347	\$(66,135)	\$1,239,547	\$1,257,576	\$18,029	-5.46
FUNDING								
General Fund	\$ 989,893	\$ 984,519	\$ 934,967	\$(49,552)	\$ 911,067	\$ 918,972	\$ 7,905	-5.55
Federal Revenue	356,942	354,963	338,380	(16,583)	328,480	338,604	10,124	-5.20
TOTAL FUNDING	\$1,346,835	\$1,339,482	\$1,273,347	\$(66,135)	\$1,239,547	\$1,257,576	\$18,029	-5.46

Program Description: House Bill 798, enacted by the 1983 legislature, allows county welfare boards to request state assumption of their welfare programs. Assumption by the state transfers all powers, duties, personnel, and public assistance costs to the state. The County Administration Program includes a portion of the operating and equipment costs associated with administration of the county welfare programs.

Budget: The legislature adopted funding for this program at the fiscal 1986 expenditure level adjusted to reflect the elimination of \$120,000 in workfare costs that are now included in the Department of Labor's budget and the addition of \$65,000 in fiscal 1988 and \$75,000 in fiscal 1989 for increased costs associated with the food stamp issuance program. Also approved were \$54,000 in fiscal 1988 and \$46,000 in fiscal 1989 for increases in the contract to process State Medical claims. Equipment authorized includes minor office equipment for county welfare offices and a new phone system in the Missoula welfare office.

Funding: General fund for this program is reduced by 5.6 percent from the fiscal 1986 expenditure level. This reduction is primarily the result of a lower expenditure level for equipment authorized for the 1989 biennium than was realized during fiscal 1986 and the elimination of the workfare contract costs.

Difference From Executive: The difference between the executive request and legislative funding for the 1989 biennium results from the deletion of the \$120,000 per year for workfare costs which was included in the executive request for fiscal 1988 and the addition of funding for processing state medical claims which was not included in the executive request.

AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES				LEGISLATIVE ACTION				PROGRAM: MEDICAL ASSISTANCE			
BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change		Fiscal 1988		Fiscal 1989	
		Executive	Legislature	Executive	Legislature	Difference		Executive	Legislature	Executive	Legislature
FTE	31.85	32.99	31.99	32.99	31.99	-1.00	0.14	32.99	31.99	-1.00	0.14
Personal Services	\$ 762,670	\$ 928,676	\$ 893,174	\$ 928,318	\$ 893,074	\$ (35,244)	17.11	\$ 928,318	\$ 893,074	\$ (35,244)	17.11
Operating Expenses	3,205,114	3,117,118	2,785,286	3,117,118	2,785,286	(331,832)	-13.10	3,234,168	3,545,399	311,231	-45.78
Equipment	9,318	3,695	5,052	3,695	5,052	1,357		1,700	1,700	0	
Total Operating	\$ 3,977,102	\$ 4,049,489	\$ 3,683,512	\$ 4,049,489	\$ 3,683,512	\$ (365,977)		\$ 4,164,186	\$ 4,440,173	\$ 275,987	-7.38
Benefits											
DNES	\$ 97,457	\$ 202,253	\$ 207,566	\$ 202,253	\$ 207,566	\$ 5,313	112.98	\$ 204,088	\$ 207,080	\$ 2,992	112.98
Medicaid Waiver	1,277,415	2,894,711	2,894,711	2,894,711	2,894,711	0	126.61	3,378,128	2,894,711	(483,417)	126.61
Medicare Buy-in	1,490,716	2,207,986	2,007,043	2,207,986	2,007,043	(200,943)	34.64	2,622,312	2,231,934	(390,378)	34.64
Indian Health	1,250,000	1,577,486	1,577,486	1,577,486	1,577,486	0	26.20	1,577,486	1,577,486	0	26.20
State Medical	2,556,945	3,654,154	6,000,000	3,654,154	6,000,000	2,345,846	134.66	3,654,154	6,000,000	2,345,846	134.66
Medicaid-Institutions	11,380,193	12,651,363	13,830,235	12,651,363	14,357,421	1,706,058	21.53	12,651,363	14,357,421	1,706,058	21.53
Medicaid-Nursing Home	41,416,302	48,210,792	47,606,000	48,210,792	48,555,000	(344,208)	14.95	50,709,015	48,555,000	(2,154,015)	14.95
Medicaid-Primary Care	52,088,089	69,164,619	82,571,758	69,164,619	82,571,758	13,407,139	58.52	73,290,791	95,406,635	22,115,844	58.52
Total Benefits	\$111,557,117	\$140,563,364	\$156,694,799	\$140,563,364	\$156,694,799	\$16,131,435	40.46	\$148,087,337	\$171,230,267	\$23,142,930	40.46
TOTAL EXPENSES	\$115,534,219	\$144,612,853	\$160,378,311	\$144,612,853	\$160,378,311	\$15,765,458		\$152,251,523	\$175,670,440	\$23,418,917	38.81
FUNDING											
General Fund	\$ 33,335,465	\$ 40,168,660	\$ 46,873,494	\$ 40,168,660	\$ 46,873,494	\$ 6,704,834	40.61	\$ 39,573,624	\$ 48,192,079	\$ 8,618,455	40.61
State Special Revenue	7,111,346	7,612,806	7,168,000	7,612,806	7,168,000	(444,806)	0.80	7,845,868	7,349,000	(496,868)	0.80
Federal Revenue	75,087,408	96,831,387	106,336,817	96,831,387	106,336,817	9,505,430	41.62	104,832,031	120,129,361	15,297,330	41.62
TOTAL FUNDING	\$115,534,219	\$144,612,853	\$160,378,311	\$144,612,853	\$160,378,311	\$15,765,458		\$152,251,523	\$175,670,440	\$23,418,917	38.81



Program Description: The Medical Assistance Program administers a variety of programs designed to meet the medical needs of the state's low income population. Included among these programs is the state's participation in medicaid, which is a joint federal/state funded program to reimburse nursing homes, hospitals, physicians, and other medical service providers for the care and treatment of individuals who qualify for Aid to Families With Dependent Children (AFDC), the aged, blind or disabled, or the medically needy. During the 1987 biennium, home and community based services were significantly expanded under a medicaid waiver program to provide the elderly with an alternative to nursing home care. The State Medical Program, which is designed to provide medical services to indigent persons who do not qualify for medicaid, is also administered through the Medical Assistance Program. Two federal "pass through" grants are administered by the program: 1) funds to conduct reviews of nursing home compliance with federal regulations are passed through to the Department of Health and Environmental Sciences, and 2) federal funds for various health services on Indian reservations are passed through SRS to the reservations.

Language in Bill: Transfer of funds may be made among the medicaid-primary care, state medical, general assistance, and medicaid-nursing home appropriations. No funds may be transferred from these items to any other portion of the SRS budget.

The department shall not expand or reduce the amount, scope, or duration of the benefits available to recipients under the medicaid primary care program during the 1989 biennium unless Title XIX of the federal Social Security Act is amended to require expansion or reduction of benefits as a condition of the state receiving federal financial participation.

The department of social and rehabilitation services is urged to find ways to reduce current workers' compensation and unemployment insurance costs in its budget for personal care attendant services. These savings, if any, should be used to increase wages paid to those providing personal care attendant services.

Legislative Intent: It is the intent of the legislature to limit reimbursement for inpatient psychiatric care under the medicaid primary care program to facilities exclusively devoted to psychiatric care of individuals under the age of 21 or to general hospital facilities providing acute inpatient psychiatric care for adults and youth.

Budget: As shown in the preceding table, total expenditures for this program increase \$44.8 million or 38.8 percent from fiscal 1986 to fiscal 1988 as the funding was approved by the legislature. During the same period, general fund increased \$13.5 million or 40.6 percent. The major cause of the increase in total funds is the very significant increase in the medicaid primary care expenditures and the State Medical Program. The primary care program alone accounts for \$30.5 million of the total fund increase between fiscal 1986 and fiscal 1988. Total funds increase \$15.3 million between fiscal 1988 and fiscal 1989 or 9.7 percent. However, because most of the benefits provided under this program are jointly funded with state and federal funds and the match rate for federal financial participation increases from 65.89 percent in fiscal 1986 to 68.91 percent in fiscal 1988 and to 70.92 in fiscal 1989, the increase in general fund between fiscal 1988 and 1989 is only 3.0 percent. The increased federal matching ratio means that while total costs are rising very significantly, there is a major shift in the cost of these programs from state to federal resources. However, this shift in costs could reverse when Montana's economy improves and the federal match rate is adjusted downward.

The FTE increase between fiscal 1986 and the 1989 biennium are administrative positions that are transferred to this program as part of a departmental reorganization. The transfer of the positions did not result in a net increase in FTE for SRS. The difference between the legislative and executive FTE level is the elimination of two 0.5 FTE long term care worker positions by the legislature that had been vacant throughout fiscal 1986.

Operating costs decrease 13.1 percent from fiscal 1986 to fiscal 1988 primarily as the result of a \$1.2 million grant the department had received in fiscal 1986 to upgrade their Medicaid Management Information System (MMIS). During fiscal 1986, SRS contracted with Consultec, Inc. to process the medicaid claims and operate the Medicaid Management Information System at a cost of \$80,000 per month. A revised executive estimate of the cost of this contract presented during testimony before the human services subcommittee indicated that costs would increase from the fiscal 1987 level of \$92,000 per month to \$200,000 per month when the contract is rebid in fiscal 1988. The legislature approved the additional funds for the contract which increases in a number of different contracts related to the projected caseload 1989. The legislature also approved increases in AFDC, SSI and the State Medical programs. In addition, the legislature approved \$165,000 per year in increase in AFDC, SSI and the State Medical programs. In addition, the legislature approved \$165,000 per year in medicaid funds to allow the department to contract for social worker salaries in the new Department of Family Services.

Difference From Executive: Differences in operating costs between the executive request and the legislative appropriation are primarily due to adjustment of the contracted services cost for the MMIS by the executive during the session. Because SRS is the federally designated medicaid agency, \$165,000 per year was included to contract with the new Family Services department for social worker salaries.

The following is a discussion of the individual benefit programs administered by the Medical Assistance program.

**Department of Health Survey:** The Department of Health and Environmental Sciences inspects all nursing homes receiving medicaid reimbursement to ensure compliance with federal medicaid regulations. As the state administering agency for medicaid, SRS is awarded funding for the surveys. SRS passes these funds through to the Department of Health. Funds "passed through" by SRS are 100 percent federal funds. The legislature adopted a revised estimate for funding the surveys that includes 9.5 additional FTE to be added by the Department of Health during fiscal 1988.

**Medicaid Waiver:** As an alternative to nursing home care for the elderly and for disabled persons, medicaid regulations allow reimbursement for a variety of home and community based services. To be eligible for home and community based services, the individual must be certified as requiring the same level of care as would be provided in a nursing home. Services provided under the waiver include case management, homemaker services, respite care, personal care attendant services, adult day care, medical alert, and transportation services. Although first authorized by the legislature during the 1985 biennium, the program did not really become established until fiscal 1986. The following table shows the growth of the waiver services from fiscal 1984 through fiscal 1989.



Table 3  
Waiver Services Growth  
And Funding For the 1989 Biennium

Waiver	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1988	Fiscal 1989
Federal Funds	\$ 44,960	\$498,162	\$ 807,509	\$1,994,745	\$2,052,929
General Funds	207,734	449,908	469,906	899,966	841,782
Total Cost	<u>\$252,694</u>	<u>\$948,070</u>	<u>\$1,277,415</u>	<u>\$2,894,711</u>	<u>\$2,894,711</u>

The cost of the medicaid waiver services has increased 127 percent between fiscal 1986 and fiscal 1988. The general fund percentage of the costs of the waiver program has declined since fiscal 1984 as the result of the increased federal match rate and the decrease in the amount of "start up" funding the state was paying new provider teams. Start up costs are 100 percent general fund. The level of funding approved by the legislature for each year of the 1989 biennium is equal to the executive requested level of funding for fiscal 1988. The legislature did not approve an expansion of the program during fiscal 1989. The following table shows the annualized caseload, cost per case, and the total cost per year for the medicaid waiver program.

Table 4  
Caseload, Cost/Case, and Total Cost per Year  
for Medicaid Waiver During 1989 Biennium

	Annualized Caseload	Cost/Case	Total Cost per Year
Elderly	318	\$ 4,850	\$1,542,061
Disabled	130	10,405	1,352,650
Total	<u>448</u>	<u>N/A</u>	<u>\$2,894,711</u>

**Medicare Buy-in:** States have the option of paying the medicare Part B premiums for individuals qualifying for medical care, but who are unable to pay the premiums themselves. If the state chooses to pay the premiums, then medical expenses and drugs are paid with federal medicare funds rather than medicaid which requires a general fund match. The premium paid by the state is funded according to the eligibility of the individual for other assistance programs. If the individual is already receiving some form of economic assistance such as AFDC or SSI, then the premium for the



medicare buy-in is a combination of Title XIX and general fund at the same match rate as medicaid. If the individual is not receiving any assistance payments, then the cost of the premium is 100 percent general fund. The cost of the medicare Part B premium is set by the federal government. The following table shows the Medicare buy-in caseload and premium costs for fiscal 1984 through fiscal 1986 and the legislature's approved level of funding for the 1989 biennium.

Table 5  
Medicare Buy-in Funding 1989 Biennium

	Fiscal 1984	Actual	Fiscal 1985	Fiscal 1986	Fiscal 1988	Fiscal 1989
Caseload Payment	6,554 \$15.18		7,177 \$16.12	7,595 \$16.36	9,080 \$18.42	9,370 \$19.85
General Funds	\$ 802,968	\$	917,123	\$ 955,308	\$1,183,353	\$1,281,800
Federal Funds	390,658		470,872	535,408	823,690	950,134
Total	<u>\$1,193,626</u>		<u>\$1,387,995</u>	<u>\$1,490,716</u>	<u>\$2,007,043</u>	<u>\$2,231,934</u>

**Indian Health:** Because SRS is the federally designated state administering agency for the medicaid program, SRS passes through medicaid funds to support a variety of Indian health services on the seven Indian reservations in Montana. These funds are 100 percent federal funds and are passed through SRS to the Bureau of Indian Affairs. The department estimates that \$1,577,486 will be available each year of the 1989 biennium. These amounts were adopted by the legislature for the 1989 biennium.

**State Medical:** As part of the state's assumption of county welfare programs in fiscal 1984, SRS assumed responsibility for administration and funding of the county level medical program in the 12 state assumed counties. State Medical benefits are provided to low income persons who do not qualify for any other form of federal or state medical assistance. The following table shows the growth of the costs for the State Medical Program in the 12 state assumed counties from fiscal 1982 through fiscal 1986 and the legislature's approved funding for the 1989 biennium.

Table 6  
Comparison of State Medical Expenditures  
Fiscal 1983 through Fiscal 1986 and Legislative Funding For the 1989 Biennium

<u>Fiscal Year</u>	<u>County Administered</u>	<u>State Assumed</u>	<u>Total Costs</u>	<u>% State Assumed</u>	<u>% Increase St Assumed</u>
1982	\$1,574,377	\$1,799,361	\$3,373,738	53.33	0.00
1983	1,815,398	2,524,512	4,339,910	58.17	40.30
1984	1,757,280	2,731,042	4,488,322	60.85	8.18
1985	1,345,630	2,723,848	4,069,478	66.93	(0.26)
1986	1,383,188	2,556,945	3,940,133	64.89	(6.13)
----- Legislative Action -----					
1988	N/A	6,000,000	N/A	N/A	134.65
1989	N/A	6,000,000	N/A	N/A	0.00

Table 6 shows that although there was an increase in costs during fiscal 1984, the first year of state assumption, in subsequent years the cost of the State Medical Program has actually declined. Both the executive request and current level had included some growth in the cost of the State Medical Program for fiscal 1987 through the 1989 biennium. The original executive request had included \$3.6 million for this program in fiscal 1988. However, in January 1987, SRS revised its projection of state medical costs and presented testimony to the subcommittee that increased caseloads, increased utilization, and recent litigation by hospitals seeking reimbursement for indigent care were rapidly increasing the costs for the State Medical Program. The Department of SRS recommended amounts were revised upward to \$6,000,000 per year of the 1989 biennium. Based on the testimony of SRS, the legislature appropriated \$6,000,000 of general fund per year of the 1989 biennium for the State Medical Program.

**Medicaid-Institutions:** Medicaid reimbursement for care in the state institutions is the medicaid rate per day times the total number of days of care minus the third party reimbursements such as insurance and private payments. Because all state institutions are funded with general fund, the medicaid revenue generated through reimbursements is an important offset to the state's cost of operating the institutions. The following table shows the fiscal 1986 actual reimbursement to institutions and the legislature's approved level of funding for the 1989 biennium.

Table 7  
Legislative Total Medicaid Funding for State Institutions

Institution	Fiscal 1986	Legislative Action	
		Fiscal 1988	Fiscal 1989
Mt. Dev. Center	\$ 7,812,541	\$ 9,607,454	\$ 9,991,865
Center For the Aged	1,080,377	1,235,464	1,266,442
Eastmont	1,345,848	1,715,269	1,783,640
Montana State Hospital	1,141,378	1,272,048	1,315,474
Total	<u>\$11,380,193</u>	<u>\$13,830,235</u>	<u>\$14,357,421</u>
Funding			
Federal Funds	\$ 7,554,172	\$ 9,530,415	\$10,186,590
General Funds	3,826,021	4,299,820	4,170,831
Total	<u>\$11,380,193</u>	<u>\$13,830,235</u>	<u>\$14,357,421</u>

**Medicaid Nursing Homes:** Total Medicaid nursing home costs are the product of the total estimated number of nursing home beds, the percent of nursing home beds filled by Medicaid patients, and the Medicaid reimbursement rate. Although there has been a steady growth in the elderly population and consequently the potential number of Medicaid eligible nursing home clients, analysis of the average monthly caseload and average monthly nursing home bed/days used by Medicaid eligible clients shows a declining utilization of nursing homes relative to the number of Medicaid eligible recipients. The following table shows the total nursing home bed/days, Medicaid bed/days and the projected Medicaid bed/days adopted by the legislature for the 1989 biennium.



Table 8  
Total Nursing Home Bed/Days, Medicaid Bed/Days, and  
Percent Medicaid Bed/Days of Total

Fiscal Year	Total Bed/Days	Medicaid Bed/Days	Cost Per Day	% Medicaid Bed/Days
1984	2,130,140	1,240,536	\$31.22	58.24
1985	2,145,470	1,217,148	32.52	56.73
1986	2,196,570	1,221,768	33.82	55.62
- - - - -	- - - - -	Projected	- - - - -	- - - - -
1988	2,287,820	1,300,000	36.62	56.82
1989	2,287,820	1,300,000	37.35	56.82

The legislature also adopted a 2 percent increase in the provider rates to reflect the impact of inflation on nursing home operations. The following table shows the actual fiscal 1986 expenditures for nursing homes and the approved level of funding for the 1989 biennium.

Table 9  
Legislative Funding of Medicaid  
Reimbursement for Nursing Homes

	Actual Fiscal 1986	Fiscal 1988	Fiscal 1989
Federal Funds	\$27,291,763	\$32,805,295	\$34,435,206
General Fund	14,124,539	14,800,705	14,119,794
Total	<u>\$41,416,302</u>	<u>\$47,606,000</u>	<u>\$48,555,000</u>

**Medicaid-Primary Care:** The primary care program provides reimbursement for the costs of inpatient and outpatient hospital care, drug, dental, and mental health services, medical transportation, audiological, speech, and physical therapies, and other medically related services for low income persons who meet the state and federal eligibility criteria for Medicaid. The total primary care caseload is made up of two distinct groups: Aid to Families With Dependent Children (AFDC) and the aged, blind and disabled (SSI). Because of differences in service utilization and caseload growth, the primary care benefits are calculated separately for each group.

Basically, primary care costs are determined by three factors: 1) the number of service recipients (caseload); 2) the number of services provided each recipient (utilization); and 3) the cost of the services provided (price). The following table shows the caseload, cost per case, and total annual cost of the medicaid program from fiscal 1983 through fiscal 1986, the projected costs and caseload for fiscal 1987, and the costs and caseload as adopted by the legislature.

Table 10  
Increases in Average Monthly Recipients, Average Cost/Recipient,  
and in Total Annual Cost of Primary Care Services

Fiscal Year	Monthly Caseload	Percent Increase	Monthly Cost/Case	AFDC	Percent Increase	Total Cost	Percent Increase
1983	6,312	0.00	\$259.05		0.00	\$19,624,345	0.00
1984	7,119	12.79	261.77		1.05	22,414,837	14.22
1985	7,622	7.07	259.28		(0.95)	23,729,626	5.87
1986	8,675	13.82	280.75		8.28	29,225,873	23.16
1987*	9,352	7.80	313.58		11.69	35,199,257	20.44
1988	10,305	10.19	347.52		10.82	42,974,120	22.09
1989	11,092	7.64	372.24		7.11	49,936,763	15.29
			SSI				
1983	10,266	0.00	\$169.30		0.00	\$20,862,160	0.00
1984	10,279	0.13	172.75		2.04	21,302,003	2.11
1985	10,831	5.37	179.79		4.08	23,373,896	9.73
1986	11,436	5.59	186.75		3.87	25,628,964	9.65
1987*	12,114	5.93	246.14		31.80	35,780,403	39.61
1988	12,756	5.30	259.15		5.29	39,597,638	10.86
1989	13,417	5.18	284.06		9.61	45,469,872	15.29
			TOTAL				
1983	16,578	0.00	\$203.52		0.00	\$40,486,505	0.00
1984	17,398	4.95	209.40		2.89	43,716,840	7.98
1985	18,453	6.06	212.72		1.59	47,103,522	7.75
1986	20,111	8.98	227.30		6.85	54,854,837	16.46
1987*	21,466	6.74	282.48		24.27	70,979,660	29.40
1988	23,061	7.43	299.28		5.72	82,571,758	13.81
1989	24,509	6.28	325.30		8.69	95,406,635	15.54

\*SRS projected expenditures

As shown in the preceding table, the most significant increase in the medicaid costs occurs between fiscal 1986 and fiscal 1987 for the SSI caseload. According to testimony presented by SRS during subcommittee hearings, the primary cause of the large increase was due to a higher utilization of services by SSI recipients, and particularly for disabled SSI clients. Estimates for the 1989 biennium are built from the fiscal 1987 projected expenditure level. Because there is a time lag (sometimes as long as 2 years) between the time a medicaid service is provided and when the bill for the services is actually paid, with only 6 months of data available for fiscal 1987, the projection of total fiscal 1987 costs is difficult.

In-patient hospital care was limited to a maximum of 30 days per admission unless the hospital stay was deemed necessary and appropriate after formal review by the hospital's Utilization and Review Committee. Physician rates were increased 1.5 percent each year of the 1989 biennium. It was the intent of the legislature that, to the extent possible, funds appropriated for the rate increase be used by SRS to equalize rates among providers with particular emphasis on specialists.

The legislature reduced selected optional services under the medicaid program. Eyeglasses, hearing aids and dentures were eliminated for a total savings of \$3,148,239 for the biennium; Medicaid reimbursement was limited to 2 non-emergent emergency room services per recipient during a state fiscal year for a savings of \$860,384 for the biennium; the co-payment for drugs was increased from \$.50 to \$1.00 for a biennium savings of \$344,774, and a prescreening requirement was implemented that will save \$380,000 in fiscal 1988. The figures in the preceding table include recognition of the \$4.7 million savings made by the legislature.



LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

PROGRAM: AUDIT AND PROGRAM COMPLIANCE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	44.00	38.00	0.00	38.00	0.00	-6.00
Personal Services	\$1,038,679	\$ 979,147	\$ 462	\$ 978,763	\$ 497	-5.69
Operating Expenses	165,001	152,959	0	153,409	0	-7.30
Equipment	6,667	0	0	0	0	-100.00
Non-Operating	87,659	113,483	34,131	113,588	35,095	68.40
TOTAL EXPENSES	\$1,298,006	\$1,245,589	\$34,593	\$1,245,760	\$35,592	-1.37
FUNDING						
General Fund	\$ 587,286	\$ 549,071	\$27,859	\$549,103	\$27,879	-1.76
Federal Revenue	710,720	696,518	6,734	696,657	7,713	-1.05
TOTAL FUNDING	\$1,298,006	\$1,245,589	\$34,593	\$1,245,760	\$35,592	-1.37

Program Description: The Audit and Program Compliance program conducts financial audits, and quality control reviews, and seeks financial recoveries for all programs administered by SRS. Financial audits determine appropriateness of expenditures, compliance with contract terms, and adequacy of internal fiscal controls. Quality control reviews are conducted on selected AFDC, food stamp and medicaid cases to assure compliance with state and federal eligibility rules. The program also monitors the medicaid program to recover misspent medicaid dollars, remove or restrict recipients or providers who abuse the system, and ensure that liable third party payors, such as insurance or medicare, pay their share before medicaid is billed.

Budget: During fiscal 1987, the program eliminated 3.0 FTE in response to the Special Session III 5 percent reduction in program expenditures. The legislature approved the transfer of 3.0 FTE and associated personnel costs from this program to the Management Support program in the new Department of Family Services. The three transferred positions were auditors who will provide audit and monitoring functions in the new department. Approximately \$10,000 per year in operating costs were also transferred to the new department to support the 3 audit positions. Non-operating

expenses included for this program are federal funds that are passed through SRS as a grant to the Department of Revenue to investigate food stamp and medicaid fraud. The legislature adopted a revised executive level for funding the grants based on a revised estimate of time the Department of Revenue would allocate to food stamp fraud investigation. A similar amount is included in the Department of Revenue budget.

Funding: Funding for this program is a mix of general fund and federal funds. The amount of federal funds supporting this program is based on the amount of time audit staff spend in a particular federally funded program. Overall, general fund constitutes approximately 45 percent of the funding for this program.

AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

LEGISLATIVE ACTION

PROGRAM: VOCATIONAL REHABILITATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	65.43	71.43	73.80	2.37	71.43	73.80	2.37	8.37
Personal Services	\$1,446,883	\$1,683,527	\$1,742,029	\$ 58,502	\$1,683,234	\$1,741,571	\$ 58,337	20.40
Operating Expenses	367,552	393,813	411,188	17,375	388,504	405,885	17,381	11.87
Equipment	12,794	3,810	8,810	5,000	3,810	3,810	0	-31.14
Non-Operating	3,445,061	4,843,676	5,275,596	431,920	4,967,360	5,327,133	359,773	53.14
TOTAL EXPENSES	\$5,272,290	\$6,924,826	\$7,437,623	\$512,797	\$7,042,908	\$7,478,399	\$435,491	41.07
FUNDING								
General Fund	\$ 662,090	\$ 730,789	\$ 703,909	\$(26,880)	\$ 729,668	\$ 702,955	\$(26,713)	6.32
State Special Revenue	666,181	935,280	1,048,515	113,235	1,088,380	1,196,383	108,003	57.39
Federal Revenue	3,944,019	5,258,757	5,685,199	426,442	5,224,860	5,579,061	354,201	44.15
TOTAL FUNDING	\$5,272,290	\$6,924,826	\$7,437,623	\$512,797	\$7,042,908	\$7,478,399	\$435,491	41.07

**Program Description:** The primary mission of the Vocational Rehabilitation Program is to provide an array of services to handicapped persons of employable age with the intent of returning them to gainful employment. In compliance with federal Vocational Rehabilitation Act guidelines, the emphasis of the program is on serving the severely disabled. However, to qualify for participation in the federally funded portion of the program, there must be a reasonable expectation that services provided by the vocational rehabilitation agency will eventually restore the individual to gainful employment. Services provided include diagnostic evaluation, vocational training, physical restoration, counseling, job placement, and follow-up.

The division also administers an Extended Employment program. This program subsidizes the costs of employment in sheltered workshops for the very seriously disabled who, because of the severity of their disability, are not eligible for the federally funded Vocational Rehabilitation Program.

The 1985 legislature approved funding for a new program to provide services to populations who had previously not been eligible for the traditional vocational rehabilitation services due to the severity of their disability. Individuals with disabilities such as muscular dystrophy, brain-stem injury, and multiple sclerosis are provided a variety of services intended to increase their mobility and personal independence.



Legislative Intent: The Vocational Rehabilitation and Visual Services programs are part of the same administrative division in SRS. Because the agency testified that it was often difficult to predict the exact mix of visually impaired and vocational rehabilitation clients, it was the intent of the legislature that the Vocational Rehabilitation and Visual Services programs be allowed flexibility in transferring benefit funds between programs.

Budget: A 0.13 human service aid that had been vacant through fiscal 1986 and was still vacant in fiscal 1987 was eliminated. Six additional FTE were added as part of a modified request to expand supported employment for seriously disabled individuals. Two and one half FTE were added as part of the implementation of House Bill 315 which reorganizes the workers' compensation statutes. These additional 2.5 FTE will participate on a screening board to review rehabilitation cases referred for the Division of Workers' Compensation.

Operating expenses increased \$17,000 per year in conjunction with the implementation of House Bill 315, approximately \$10,000 for miscellaneous operating costs and \$17,000 per year for the modified request for expansion of supported employment. Equipment approved includes minor office equipment.

Non-operating expenses are grants and benefits to vocational rehabilitation clients. Because the funding and recipients are similar, the legislature considered the grants and benefits for this program in conjunction with grants and benefits for the Visual Services program. The appropriation adopted by the legislature was based on the executive request which equaled the fiscal 1987 projected expenditures. In addition to the current level funding for benefits, \$1,733,842 was added as modifieds in fiscal 1988 and \$1,745,379 was added as modifieds in fiscal 1989.

#### Modifieds Approved:

1. General Rehabilitation Services: According to SRS testimony, this modified would increase the amount of general rehabilitation services available to clients who are underserved. This modified would take advantage of available federal Section 110 funds and state special revenue funds to increase the total funds available for vocational rehabilitation benefits. Total additional funds approved for fiscal 1988 are \$671,614 of which \$300,000 are federal Section 110 and \$371,614 are state special revenue. For fiscal 1989, total funds are \$824,714, of which \$300,000 are federal Section 110, and \$524,714 are state special revenue. It is the legislature's intent that if a personnel appeal for reclassification of positions in the Visual Services Program is upheld, funds from this modified may be used to off-set the increased personal services costs in the Visual Services Program. Funds transferred from this modified may only be used for costs directly related to the reclassification appeal.

2. Special Population and Independent Living Program: This modified would continue a federal program begun in fiscal 1986 to provide services to individuals who are too severely disabled to qualify for regular federal vocational rehabilitation programs. Services provided through this program include adaptive equipment, modification to living facilities, public education and self-advocacy. This federal grant requires a 10 percent general fund match. The Vocational Rehabilitation program funding as approved by the legislature includes \$29,000 each year of the 1989 biennium that would be used as the general fund match for this federal grant. Total federal funds approved for this modified are \$261,171 each year of the biennium.

3. Supported Employment: This modified would provide support to severely disabled individuals to assist them in finding and maintaining employment in regular work settings. Services provided include counseling, advocacy, and purchase of specialized adaptive equipment. Funding for the modified is federal funds of \$572,080 in fiscal 1988 and

\$470,517 in fiscal 1989. It is the legislature's intent that funding for this modified and funding for the Title 6 Services be modified not be considered as part of the current level base for the 1991 biennium.

4. Title 6 Services: This modified is intended to assist severely disabled persons in finding and maintaining work in the public sector in conjunction with Modified #3, Supported Employment. Six FTE would be added to provide case management and administrative support to the Supported Employment Program. This modified is supported entirely with federal funds.

Table 11  
Title 6 Services Expenditures  
1989 Biennium

<u>Expenditures</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
FTE	6.00	6.00
Personal Services		
Operating Costs	\$128,995	\$128,828
Benefits	17,028	17,195
	<u>228,977</u>	<u>228,977</u>
Total Costs	<u>\$375,000</u>	<u>\$375,000</u>

Funding: This program receives funds from a variety of federal sources including "Section 110" funds from Vocational Rehabilitation, Disability Determination, Supplemental Security Income (SSI) and Social Security Disability Income (SSDI) from the Social Security Administration, Job Training Partnership Act (JTPA), and In-service Training funds from the Department of Education. Additionally, the program receives state special revenue funds from the Industrial Accident and Rehabilitation Account (IARA). Section 110 funds are the only federal funds requiring a match with state funds and are matched at an 80/20 ratio of federal/state funds. The state IARA funds can be used as the state's match for the federal Section 110 funds under grants and benefits but not for administration. The following table shows the actual funding for the program during fiscal 1986 and the legislature's approved funding mix for the 1989 biennium.

Difference From Executive: The 2.37 FTE difference between the executive request and the legislative approved FTE levels is caused by the elimination of the 0.13 FTE human service aid and the addition of the 2.5 FTE to implement House Bill 315. The difference in FTE levels also accounts for the difference in personnel services costs. The higher level of non-operating expenses approved by the legislature is due to a higher level of federal funds anticipated by the legislature than had been included in the original executive request. As shown in the previous table, all of the increase in funding above the executive request is from additional state special revenues and federal funds. General funds appropriated are actually \$50,000 less for the 1989 biennium than was requested by the executive.



Table 12  
Fiscal 1986 Actual Expenditures and  
Funding for Vocational Rehabilitation During the 1989 Biennium

	<u>Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
<u>Operations and Service</u>			
Federal In-service	\$ 13,739	\$ 13,500	\$ 13,500
Federal Dis. Determ.	55,188	27,418	26,662
Federal Section 110	1,406,066	1,512,113	1,508,294
Federal Supported Emp	0	146,023	146,023
IARA Review Panel	0	83,445	78,213
General Fund In-service Match	1,526	1,500	1,500
General Fund 110 Match	350,710	378,028	377,074
Total Oper. and Svc.	<u>\$1,827,229</u>	<u>\$2,162,027</u>	<u>\$2,151,266</u>
<u>Benefits</u>			
Federal SSI/SSDI	\$ 52,378	\$102,378	\$ 102,378
Federal Sp. Population	96,480	261,171	261,171
Federal Supported Emp	0	801,057	699,494
Federal JTPA	405,167	333,000	333,000
Federal Section 110	1,915,001	2,488,539	2,488,539
State IARA	666,181	965,070	1,118,170
General Fund Sp. Population	10,953	29,019	29,019
General Fund Extend Emp	266,721	269,095	269,095
General Fund 110 Match	32,180	26,267	26,267
Total Benefits	<u>\$3,445,061</u>	<u>\$5,275,596</u>	<u>\$5,327,133</u>
<u>Funding</u>			
Federal Funds	\$3,944,019	\$5,685,199	\$5,579,061
State Special	666,181	1,048,515	1,196,383
General Fund	662,090	703,909	702,955
Total Funding	<u>\$5,272,290</u>	<u>\$7,437,623</u>	<u>\$7,478,399</u>



LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

PROGRAM: DISABILITY DETERMINATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	44.13	44.13	44.13	0.00	44.13	44.13	0.00	0.00
Personal Services	\$1,204,408	\$1,215,504	\$1,216,174	\$ 670	\$1,219,448	\$1,220,214	\$ 766	0.98
Operating Expenses	1,009,123	1,085,314	1,075,751	(9,563)	1,084,960	1,075,397	(9,563)	6.60
Equipment	21,675	16,819	16,816	(3)	6,435	6,435	0	-22.42
Non-Operating	52,433	75,891	75,891	0	75,891	75,891	0	44.74
TOTAL EXPENSES	\$2,287,639	\$2,393,528	\$2,384,632	\$(8,896)	\$2,386,734	\$2,377,937	\$(8,797)	4.24
FEDERAL REVENUE	\$2,287,639	\$2,393,528	\$2,384,632	\$(8,896)	\$2,386,734	\$2,377,937	\$(8,797)	4.24

**Program Description:** The Disability Determination Bureau is a federally funded program that conducts disability determinations of Montana applicants for Supplemental Security Income (SSI) and Supplemental Security Disability Income (SSDI) benefits. Current SSI and SSDI cases are also reviewed to determine if they should remain on or be suspended from receiving benefits. In addition to the federal disability determinations, the program also provides examinations for individuals applying for Medicaid under the state's medically needy program. Funding for SSI and SSDI disability determinations is 100 percent federal funds from the Social Security Administration. Funding for the medically needy portion of the program is through a contract with the Medical Assistance program of SRS and is funded at the same federal/state ratio as Medicaid benefits. Cost of the contract for the Medically Needy program is estimated to be approximately \$50,000 per year during the 1989 biennium.

**Budget:** The approved staffing levels for this program are at the same level as fiscal 1986. Operating expenses were increased slightly over the current level to include additional travel funds for the program staff. Equipment approved included funds to improve the word processing capabilities of the program as well as additional minor office equipment. Non-operating expenses for this program are federal funds used to pay the travel expenses of clients traveling to receive medical examinations as part of their disability determination.

**Funding:** Funding for this program is 100 percent federal funds. Approximately \$14,000 per year of general fund is included in the Medical Assistance program to contract for disability examinations for applicants to the medically needy program under Medicaid.

AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

LEGISLATIVE ACTION

PROGRAM: VISUAL SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	19.75	19.90	19.90	0.00		19.90	19.90	0.00		0.15
Personal Services	\$438,882	\$ 489,210	\$ 489,414	\$204		\$ 489,054	\$ 489,276	\$222		11.51
Operating Expenses	165,189	112,408	112,408	0		111,489	111,489	0		-31.95
Equipment	2,960	7,670	7,670	0		8,155	8,115	(40)		159.12
Non-Operating	360,139	424,267	424,267	0		424,267	424,268	1		17.81
TOTAL EXPENSES	\$967,170	\$1,033,555	\$1,033,759	\$204		\$1,032,965	\$1,033,148	\$183		6.88
FUNDING										
General Fund	\$241,830	\$ 275,232	\$ 275,272	\$ 40		\$ 275,114	\$ 275,150	\$ 36		13.83
Federal Revenue	725,340	758,323	758,487	164		757,851	757,998	147		4.57
TOTAL FUNDING	\$967,170	\$1,033,555	\$1,033,759	\$204		\$1,032,965	\$1,033,148	\$183		6.88

**Program Description:** The Visual Services Program provides rehabilitation services to the visually impaired and blind. In addition to physical restoration, services include rehabilitation training, orientation and mobility, independent living, and medical care related to visual impairments. Funding for this program is primarily from the federal "Section 110" Vocational Rehabilitation Act and the general fund.

**Budget:** The FTE level for Visual Services was set by the legislature at the fiscal 1986 level plus a .15 position transferred to the program during fiscal 1987. During fiscal 1987, SRS discontinued a contract for \$50,000 that had supported the blind vendor program. Equipment authorized for the 1989 biennium included adapters for the program's computer equipment to improve the productivity of visually impaired employees. Non-operating costs include the visual medical program, the extended employment program, and rehabilitation programs for visually impaired individuals. As described under the section for Vocational Rehabilitation, the grants/benefits for Visual Services and Vocational Rehabilitation were considered together by the legislature. The approved level of funding for the two programs is equivalent to the fiscal 1986 expenditure level.

**Funding:** Federal funding for the Visual Services program includes federal Section 110 funds that require a 20 percent general fund match and Job Training Partnership Act funds (JTPA), which do not require any state match. For the 1989 biennium, general fund represents approximately 26.7 percent of the total cost of operation of the Visual Services program.



LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

PROGRAM: DEVELOPMENTAL DISABILITIES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	31.25	31.25	32.25	1.00	34.25	32.25	-2.00	1.00
Personal Services	\$ 856,788	\$ 888,990	\$ 917,781	\$ 28,791	\$ 959,492	\$ 917,043	\$(42,449)	7.12
Operating Expenses	269,397	264,069	279,950	15,881	267,751	270,364	2,613	3.92
Equipment	7,452	0	0	0	1,773	1,773	0	-100.00
Non-Operating	15,737,385	17,378,170	18,699,867	1,321,697	18,862,709	18,899,777	37,068	18.82
TOTAL EXPENSES	\$16,871,022	\$18,531,229	\$19,897,598	\$1,366,369	\$20,091,725	\$20,088,957	\$(2,768)	17.94
FUNDING								
General Fund	\$ 3,479,457	\$ 5,523,569	\$ 5,557,805	\$ 34,236	\$ 6,494,660	\$ 5,783,366	\$(711,294)	59.73
Federal Revenue	13,391,565	13,007,660	14,339,793	1,332,133	13,597,065	14,305,591	708,526	7.08
TOTAL FUNDING	\$16,871,022	\$18,531,229	\$19,897,598	\$1,366,369	\$20,091,725	\$20,088,957	\$(2,768)	17.94

Program Description: The Developmental Disabilities Program is responsible for administration of the state's community based programs for individuals disabled by mental retardation, epilepsy, cerebral palsy, autism, or other related disorders that begin prior to the individual reaching eighteen years of age. Division staff are principally administrative, and actual services to clients are provided through contracts between the division and 56 private agencies. Services provided include sheltered employment, day care, special transportation, adult and child group homes, evaluation and diagnosis, respite care, family training, and specialized family care.

Legislative Intent: It is the intent of the legislature that any reduction in either the LIEAP or Social Services Block Grant funds will be offset by reductions in the 2 percent increase for providers rather than a reduction in current level services. Anticipated LIEAP funds are \$1,103,548 each year of the biennium and Social Service Block Grant funds are \$9,289,720 each year of the 1989 biennium.

It is the legislature's intent that the Developmental Disabilities Division seek assistance from the Developmental Disabilities Planning and Advisory Council on implementing the automated client assessment program, including purchase of such equipment as may be consistent with the Council's federal grant requirements.



Budget: A 1.0 FTE administrative position was approved as part of a federally funded modified program to plan an early intervention program for developmentally disabled children. The full funding for personnel services and the additional FTE account for the increase in personal service costs between fiscal 1986 and 1988.

Operating costs increase between fiscal 1986 and the 1989 biennium primarily as a result of a one time expenditure during fiscal 1988 for automation of a client assessment program that will track the training needs of all the developmentally disabled in the state.

Differences between the executive request for administrative costs and legislative funding results from the approval of the federally funded Early Intervention Program that was not included as part of the original executive request. This modified adds 1.0 FTE and approximately \$13,000 per year in additional operating expenses.

Benefits for developmental disabilities programs increase \$3.0 million, or 18.8 percent between fiscal 1986 and fiscal 1988. This significant increase in benefit costs results from two major factors: 1) the 1985 legislature provided \$2.8 million for expansion of services during the 1987 biennium with the majority of the expansion funds allocated to fiscal 1987; and 2) the 1987 legislature approved two modifieds that will increase costs of developmental disabilities programs by \$770,000 in fiscal 1988 and \$972,000 in fiscal 1989. Despite the large increase in service costs between fiscal 1986 and fiscal 1988, the amount of services provided and the number of clients served will not increase correspondingly. The majority of the increased costs are attributable to the annualized costs of expansion occurring during the 1987 biennium, and \$900,000 of the funding for modifieds approved by the 1987 legislature is appropriated for a 2 percent increase in rate paid to developmental disabilities service providers.

The difference between the executive request for benefits and legislative funding for fiscal 1988 results from the legislature approving the 2 percent increase in provider rates, and approval of the Early Intervention Program which was not included in the original executive request. The reason the difference in funding for benefits during fiscal 1989 is lower is because the legislature did not approve a \$1.5 million request from the executive to develop an expansion of community based services during fiscal 1989.

Modifieds Approved: 1. Early Intervention. This modified would provide \$531,313 in fiscal 1988 and \$375,000 in fiscal 1989 of 100 percent federal funds to plan an early intervention program for developmentally disabled individuals between 0-2 years of age.

Table 13  
Early Intervention Expenditures - 1989 Biennium

Expenditures	Fiscal 1988	Fiscal 1989
FTE	1.00	1.00
Personal Services	\$ 28,392	\$ 28,291
Operating Costs	13,025	11,418
Benefits	489,896	335,291
Total Costs	<u>\$531,313</u>	<u>\$375,000</u>

2. Increase For Developmental Disabilities Service Providers: The legislature approved a 2 percent rate increase for service providers each year of the biennium. However, if there is a reduction in available LIEAP or Social Service Block Grant funds during either year of the 1989 biennium, the reduction would be taken against the 2 percent rate increase rather than a reduction in current level services.

Table 14  
Developmental Disabilities Service Providers Expenditures  
1989 Biennium

<u>Funding</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
General Fund	\$239,953	\$541,823
Federal Fund	<u>41,848</u>	<u>94,493</u>
Total Funding	<u>\$281,801</u>	<u>\$636,316</u>

3. Supported Employment: This modified includes \$50,000 of general fund each year of the biennium to provide supported employment to developmentally disabled individuals outside of a sheltered workshop setting.



LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

PROGRAM: DEVELOPMENTAL DISABILITY PLANNING AND ADVISORY COUNCIL

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	3.00	6.00	6.00	3.51	3.51	3.00
Personal Services	\$56,816	\$135,222	\$138,192	\$ 77,204	\$ 78,046	143.23
Operating Expenses	28,807	68,123	65,154	44,672	43,580	126.17
Equipment	4,284	250	250	100	350	-94.16
Non-Operating	176,426	195,000	195,000	195,000	195,000	10.53
TOTAL EXPENSES	\$266,333	\$398,595	\$398,596	\$316,976	\$316,976	49.66
FEDERAL REVENUE	\$266,333	\$398,595	\$398,596	\$316,976	\$316,976	49.66

Program Description: The Developmental Disabilities Planning and Advisory Council (DDPAC) is a 100 percent federally funded program that advises state agencies, other councils, local governments, and private organizations on programs and services for the developmentally disabled. Organization and membership of the council is specifically intended to provide developmental disabilities consumers and providers with a forum for input into the state's planning of services for the developmentally disabled.

In addition to its planning function, the DDPAC also contracts with a variety of agencies to provide direct-service demonstration and training projects. Of the program's total budget, federal law requires that 65 percent of the funds be spent in grants and benefits for services to the developmentally disabled.

Legislative Intent: It is the legislature's intent that the Developmental Disabilities Planning and Advisory Council assist the Developmental Disabilities Division in developing the automated client assessment program through purchase of such portions of the system as are consistent with the DDPAC grant.

Budget: The legislature adopted the executive request for funding the DDPAC for the 1989 biennium with a minor adjustment for personal services. As required by the federal grant, 65 percent of the funds available are allocated to the grants and benefits portion of the budget. It was also the legislature's intent that if the program did not use all funds allocated for operations, these funds would also be reallocated to the grants and benefits portion of the budget.



Modifieds Approved:

1. Employment Project for Persons With Developmental Disabilities. This modified continues a program begun during fiscal 1987 that is intended to establish a single point of access for developmentally disabled individuals for state services and assist people in gaining the least restrictive and most appropriate vocational placement. The three additional FTE included in fiscal 1988 are contract employees working on specific portions of the program. A 0.51 FTE is included to complete the project in fiscal 1989. Total funding for the program is \$98,596 in fiscal 1988 and \$16,976 in fiscal 1989. All funds are federal funds.

Funding: Funding for the program is 100 percent federal funds.





# **NATURAL RESOURCES & COMMERCE**





AGENCY: DEPARTMENT OF PUBLIC SERVICE REGULATION

LEGISLATIVE ACTION

PROGRAM: PUBLIC SERVICE REGULATION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	46.00	45.00	46.00	1.00	45.00	46.00	1.00	0.00
Personal Services	\$1,275,580	\$1,328,002	\$1,360,582	\$ 32,580	\$1,326,579	\$1,359,144	\$ 32,565	6.66
Operating Expenses	310,237	320,197	430,521	110,324	319,023	348,047	29,024	38.77
Equipment	39,425	30,525	26,885	(3,640)	23,605	22,705	(900)	-31.81
Non-Operating	5,000	20,000	0	(20,000)	7,000	0	(7,000)	-100.00
TOTAL EXPENSES	\$1,630,242	\$1,698,724	\$1,817,988	\$ 119,264	\$1,676,207	\$1,729,896	\$ 53,689	11.52
FUNDING								
General Fund	\$1,591,510	\$ 0	\$1,769,497	\$ 1,769,497	\$ 0	\$1,679,762	\$ 1,679,762	11.18
State Special Revenue	0	1,644,164	0	(1,644,164)	1,618,705	0	(1,618,705)	N/A
Federal Revenue	30,032	39,560	33,491	(6,069)	42,502	35,134	(7,368)	11.52
Other Revenue	8,700	15,000	15,000	0	15,000	15,000	0	72.41
TOTAL FUNDING	\$1,630,242	\$1,698,724	\$1,817,988	\$ 119,264	\$1,676,207	\$1,729,896	\$ 53,689	11.52

Program Description: The Department of Public Service Regulation is responsible for regulation of public utilities, motor carriers, and railroad industries to provide safe, reliable, and adequate services at the lowest achievable cost to the consumers while concurrently providing the regulated industries with a fair and reasonable return on their investment for the services rendered. There are five public service commission districts, with one commissioner elected from each district.

Budget: In fiscal 1986 an attorney position was vacant most of the year. The 6.66 percent increase in personal services reflects the position being funded in the 1989 biennium. Operating expenses were increased 38.77 percent from fiscal 1986 to fiscal 1988 with contracted services increasing \$31,300 per year, the primary increase being \$20,000 per year in court recorder fees. Travel was increased by \$12,000 per year, supplies by \$1,500 per year, rent by \$3,400 per year, and repairs and maintenance by \$1,400 per year. The increases were primarily in the pipeline safety program and the railroad safety program.

Court recorder fees were increased to reflect the passage of House Bill 302 which permits the closure of local railroad stations. There was \$250 added in fiscal 1988 to implement House Bill 861. Modifieds approved totaling \$68,967 are added to fiscal 1988. The reduction between fiscal 1988 and 1989 is due to the legislative audit being a one-time appropriation of \$12,800, a one time budget modification for consultants of \$57,000, and a biennial appropriation of \$11,967 for PSC contracts.

The equipment approved is \$14,608 in fiscal 1988 and \$1,778 in fiscal 1989 for office equipment, and funding for the replacement of one vehicle (\$12,277) in fiscal 1988 and two vehicles (\$20,927) in fiscal 1989. In fiscal 1986, the department was appropriated \$5,000 general fund for seed money to begin a proprietary account to collect out-of-state expenses from the responsible utility. The transfer of these funds to the proprietary account resulted in the one-time non-operating expenditure of \$5,000 in fiscal 1986.

#### Modifieds Approved:

1. Data Processing Consultant and an Uninterruptable Power Source - In fiscal 1988, \$50,000 for a data consultant to develop a data base for the PSC case management system and \$7,000 for an uninterruptible power supply for the PSC computer were approved. The budget modification was line-itemed in the appropriation bill and language was added which says that if there are any budget cuts in fiscal 1988 this line-item is not to be cut.

2. Consultants - The second budget modification is a biennial appropriation of \$11,967 for the PSC to contract with consultants for: 1) situations when the Consumer Counsel is unable or declines to develop certain issues in rate setting cases; and 2) protection of the State's interest in regard to federal regulatory bodies. For the 1987 biennium the legislature appropriated \$20,000 to enable the commission to participate in the Montana-Dakota Utilities Co. cases before the Federal Energy Regulatory Commission. The commission expended only \$8,033 of the funds. The remaining \$11,967, which will revert at the end of the biennium, is equivalent to the amount made available for the 1989 biennium.

Funding: House Bill 583 extended the sunset date of the utility tax until July 1, 1989. The utility tax receipts will be deposited in the general fund. Therefore, the Public Service Commission is financed by general fund. The federal funds are funds from the U.S. Transportation Department for the Rail Safety Program and the Pipeline Safety Program. The Pipeline Safety Program is funded at \$51,604 per year with 50 percent of the funding coming from the federal government and the remaining 50 percent from utility tax revenues. The Railroad Safety Program is financed with 19 percent federal funds and 81 percent utility tax revenues. The Railroad Safety Program is funded at \$40,466 in fiscal 1988 and \$49,118 in fiscal 1989.

The proprietary funds are the revenues the state receives from out-of-state utilities for auditing expenses. The state is reimbursed by the utilities for traveling out-of-state to do audits.

#### Other Legislation:

1. House Bill 302 - permits railroad companies to close local rail offices if the railroad demonstrates to the Public Service Commission that the facility is not required for a public convenience and necessity. The Public Service Commission is required to hold a public hearing in the area to be affected by the closure. The budget includes \$6,430 per year for travel and \$10,108 per year for court recorders to implement House Bill 302.



2. House Bill 583 - extends the tax on regulated utilities until July 1989 and requires deposits of the receipts of the utility tax revenues into the general fund.

3. House Bill 861 - appropriates \$500 for the biennium to the Attorney General and the Public Service Commission to administer an act providing for the disclosure to the Attorney General and the Public Service Commission of certain information from the buyer and seller of a railroad line. The PSC budget contains \$250 in fiscal 1988 to reflect one-half of the \$500 appropriated.

Difference From Executive: The legislature approved budget modifications of \$68,967 which were detailed previously. The legislature did not appropriate \$12,480 in fiscal 1989 for audit expenses and \$20,000 in fiscal 1988 and \$7,000 in fiscal 1989 for office sound deadening boards included in the executive budget. The legislature approved \$41,327 per year more travel for the commission. The executive budget had eliminated all out-of-state travel with the exception of \$3,050 per year for the Pipeline Safety Program.

AGENCY: DEPARTMENT OF LIVESTOCK

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Executive	Fiscal 1988 Legislature	Difference	Executive	Fiscal 1989 Legislature	Difference	FY 86-88 % Change
FTE	116.61	114.61	126.61	12.00	114.61	126.61	12.00	10.00
Personal Services	\$2,842,637	\$2,997,825	\$3,342,831	\$345,006	\$3,004,449	\$3,350,225	\$345,776	17.60
Operating Expenses	1,366,229	1,056,390	1,062,601	6,211	1,063,648	1,068,496	4,848	-22.22
Equipment	182,805	122,966	139,466	16,500	126,544	137,544	11,000	-23.71
Non-Operating	25	2,000	2,000	0	2,000	2,000	0	7900.00
TOTAL EXPENSES	\$4,391,696	\$4,179,181	\$4,546,898	\$367,717	\$4,196,641	\$4,558,265	\$361,624	3.53
FUNDING								
General Fund	\$ 641,101	\$ 654,923	\$ 746,342	\$ 91,419	\$ 658,538	\$ 747,162	\$ 88,624	16.42
State Special Revenue	3,223,967	3,429,258	3,566,156	136,898	3,443,103	3,579,203	136,100	10.61
Federal Revenue	526,628	95,000	234,400	139,400	95,000	231,900	136,900	-55.49
TOTAL FUNDING	\$4,391,696	\$4,179,181	\$4,546,898	\$367,717	\$4,196,641	\$4,558,265	\$361,624	3.53

Program Description: The Department of Livestock consists of the Animal Health Division, the Brands-Enforcement Division, the Centralized Services Division, and the Diagnostic Laboratory Division. The Animal Health Division includes the Disease Control Program, the Milk and Egg Program, and a newly created Meat Inspection Division. The Brands-Enforcement Division includes the Inspection and Control Program and the Predatory Animal Control Program. The Beef and Pork Research and Marketing Program and the Crimestoppers Program are administratively attached to the Centralized Services Division.

The Board of Livestock has the duties and powers of a department head as provided in Section 2-15-112, MCA. The board consists of seven members appointed by the Governor with the consent of the Senate. Each member must be a resident of Montana and an active livestock producer. The executive secretary serves at the pleasure of the board. The executive secretary is responsible for ensuring that the department functions in a manner consistent with the directives, policies, and rules of the board and the laws of Montana.

Budget: Following are the major changes to the Department of Livestock budget: 1) conversion of the beef research and marketing fund to a fiduciary account, which reduced the appropriation by \$433,628 per year; 2) increases in predator control of approximately \$85,000 per year; 3) reductions in the Rabies and Rodent Control program of \$22,867 per year; and 4) creation of a state meat inspection program which added 12.0 FTE and costs approximately \$275,000 per year to implement the program.

Other Legislation: House Bill 814 establishes a state meat inspection program and assigns the implementation of the program to the Department of Livestock. Appropriated in House Bill 814 is \$139,400 of general fund and federal funds in fiscal 1988, and \$136,900 of general fund and federal funds in fiscal 1989 for implementing the meat inspection program.



AGENCY: DEPARTMENT OF LIVESTOCK

LEGISLATIVE ACTION

PROGRAM: CENTRALIZED SERVICES PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	8.00	8.00	8.00	0.00	8.00	8.00	0.00	0.00
Personal Services	\$259,567	\$262,154	\$272,815	\$10,661	\$262,332	\$273,000	\$10,668	5.10
Operating Expenses	136,003	144,899	140,078	(4,821)	132,542	126,370	(6,172)	3.00
Equipment	449	5,750	5,750	0	0	0	0	1180.62
TOTAL EXPENSES	\$396,019	\$412,803	\$418,643	\$ 5,840	\$394,874	\$399,370	\$ 4,496	5.71
FUNDING								
General Fund	\$ 57,427	\$ 61,893	\$ 57,659	\$(4,234)	\$ 59,231	\$ 54,659	\$(4,572)	0.40
State Special Revenue	338,592	350,910	360,984	10,074	335,643	344,711	9,068	6.61
TOTAL FUNDING	\$396,019	\$412,803	\$418,643	\$ 5,840	\$394,874	\$399,370	\$ 4,496	5.71

Program Description: The Centralized Services Division is responsible for the accounting, budgeting, payroll, personnel, legal services, purchasing, and general services functions of the department.

Budget: No vacancy savings was taken from this program which added \$10,481 in fiscal 1988 and \$10,668 in fiscal 1989. The increases in operating expenses are: 1) continuation of a fiscal 1987 study of the disease Chalkbrood in leafcutter bees which is a \$1,500/year contract; 2) \$1,300 in fiscal 1989 for increased computer costs; 3) a \$2,000 per year increase in travel; 4) a \$1,100 increase in fiscal 1988 and \$1,500 in fiscal 1989 for computer maintenance; 5) an audit charge increase of \$1,300 in fiscal 1988; 6) \$1,000 per year reductions in supplies and materials and \$3,000 per year in communications; and 7) rent increases of \$1,000 in fiscal 1988 and \$3,000 in fiscal 1989. The audit costs of \$17,271 are a biennial appropriation in fiscal 1988 and are not included in fiscal 1989. The equipment approved includes \$1,050 for office equipment and \$4,700 of computer equipment.

Funding: This program is funded with general fund and by a per head assessment on livestock. In the 1987 biennium, the legislature developed a funding formula of 15 percent general fund and 85 percent state special revenue to finance the Centralized Management Division. With the department's 5 percent reduction in general fund, the general fund percentage for the 1989 biennium is less than 15 percent.

Difference From Executive: The legislature did not apply a 4 percent vacancy savings factor to the program's budget. This added \$10,481 in fiscal 1988 and \$10,668 in fiscal 1989. The legislature reduced operating expenses by \$6,012 in fiscal 1988 and by \$6,172 in fiscal 1989. The legislative audit costs were increased by \$1,191 over the executive recommendation.

AGENCY: DEPARTMENT OF LIVESTOCK

LEGISLATIVE ACTION

PROGRAM: DIAGNOSTIC LABORATORY PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	19.00	18.00	18.00	0.00	18.00	18.00	0.00	-1.00
Personal Services	\$479,340	\$479,970	\$499,968	\$ 19,998	\$481,165	\$501,214	\$ 20,049	4.30
Operating Expenses	167,911	179,477	163,477	(16,000)	187,272	171,272	(16,000)	-2.64
Equipment	84,930	8,290	8,290	0	11,200	11,200	0	-90.24
TOTAL EXPENSES	\$732,181	\$667,737	\$671,735	\$ 3,998	\$679,637	\$683,686	\$ 4,049	-8.26
FUNDING								
General Fund	\$311,735	\$316,223	\$300,222	\$(16,001)	\$321,306	\$305,330	\$(15,976)	-3.69
State Special Revenue	420,446	351,514	371,513	19,999	358,331	378,356	20,025	-11.64
TOTAL FUNDING	\$732,181	\$667,737	\$671,735	\$ 3,998	\$679,637	\$683,686	\$ 4,049	-8.26

Program Description: This program provides laboratory support for the Disease Control and Milk and Egg Programs and to veterinarians and livestock producers. The laboratory protects the public health by testing dairy products and performing diagnostic tests on suspected rabies cases and other zoonotic diseases. Testing on wildlife and small animals is performed upon request.

Budget: A laboratory supervisor position was eliminated in reductions which the department made in fiscal 1986, and this reduction was continued in the 1989 biennium. No vacancy savings was applied to this program which added \$19,998 in fiscal 1988 and \$20,049 in fiscal 1989. Fifty percent of the vacancy savings is financed with general fund and 50 percent is financed by animal health funds.

The operating expenses decrease a net 2.64 percent caused by the following adjustments: 1) a \$1,500 per year increase in data communication line; 2) a \$1,000 increase in fiscal 1988 and \$350 in fiscal 1989 for travel; 3) \$2,095 per year increase for computer maintenance; 4) \$2,150 in fiscal 1989 increase in utilities; 5) \$6,000 in fiscal 1988 and \$10,000 in fiscal 1989 inflationary increase in laboratory expenses; and 6) reductions in contracted services of \$8,000 per year, and supplies and materials of \$6,000 per year.



Equipment for the 1989 biennium includes an embedding oven for \$1,490, a liquid nitrogen storage container for \$600; five personal computers and software for \$12,400; and a CO<sub>2</sub> incubator for \$5,000.

Funding: This program is financed approximately 50 percent by general fund and 50 percent by animal health funds. When the department's 10 percent reduction in general fund was applied, the department requested that \$10,000 of the general fund cut be restored with animal health funds. This request was approved.

Difference From Executive: The legislature did not apply a 4 percent vacancy savings factor to the program's budget. This added \$19,998 in fiscal 1988 and \$20,049 in fiscal 1989. The legislature reduced operating expenses by \$16,000 per year as part of the department's 10 percent general fund reduction.

AGENCY: DEPARTMENT OF LIVESTOCK

LEGISLATIVE ACTION

PROGRAM: DISEASE CONTROL PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	13.30	12.30	12.30	0.00	12.30	12.30	0.00	-1.00
Personal Services	\$373,566	\$374,709	\$390,322	\$15,613	\$375,187	\$390,820	\$15,633	4.49
Operating Expenses	74,620	75,886	75,886	0	76,847	76,847	0	1.70
Equipment	3,501	24,660	24,660	0	22,064	22,064	0	604.37
Non-Operating	25	2,000	2,000	0	2,000	2,000	0	7900.00
TOTAL EXPENSES	\$451,712	\$477,255	\$492,868	\$15,613	\$476,098	\$491,731	\$15,633	9.11
STATE SPECIAL REVENUE	\$451,712	\$477,255	\$492,868	\$15,613	\$476,098	\$491,731	\$15,633	9.11

Program Description: This program is responsible for the diagnosis, prevention, control, and eradication of animal diseases and disorders. The program provides education and information on animal diseases and disorders to the livestock industry, the veterinary profession, and the public at large.

Budget: The department eliminated a 1.0 FTE word processor operator position in fiscal 1987. This reduction was carried forward into the 1989 biennium budget. No vacancy savings factor was applied to this program which increased the budget by \$15,613 in fiscal 1988 and \$15,633 in fiscal 1989. The budget includes replacement of two vehicles at a cost of \$19,260 in fiscal 1988 and \$22,064 in fiscal 1989. The budget also includes \$5,400 for the purchase of a personal computer. The non-operating expenses are brucellosis indemnity payments for ranchers whose cattle have brucellosis and must be destroyed.

Funding: This program is funded by a per head assessment on livestock.

Difference From Executive: The legislature did not apply a 4 percent vacancy savings factor to the program's budget. This added \$15,613 in fiscal 1988 and \$15,633 in fiscal 1989.

AGENCY: DEPARTMENT OF LIVESTOCK

LEGISLATIVE ACTION

PROGRAM: MILK AND EGG PROGRAM

BUDGET ITEM	FY 1986 Actual	Executive	Fiscal 1988 Legislature	Difference	Executive	Fiscal 1989 Legislature	Difference	FY 86-88 % Change
FTE	6.70	6.70	6.20	-0.50	6.70	6.20	-0.50	-0.50
Personal Services	\$184,827	\$186,098	\$183,261	\$(2,837)	\$186,519	\$183,719	\$(2,800)	-0.85
Operating Expenses	23,819	25,087	22,678	(2,409)	25,307	22,879	(2,428)	-4.79
Equipment	13,302	18,009	18,009	0	18,562	18,562	0	35.39
TOTAL EXPENSES	\$221,948	\$229,194	\$223,948	\$(5,246)	\$230,388	\$225,160	\$(5,228)	0.90
FUNDING								
General Fund	\$203,948	\$209,194	\$203,948	\$(5,246)	\$210,388	\$205,160	\$(5,228)	0.00
Federal Revenue	18,000	20,000	20,000	0	20,000	20,000	0	11.11
TOTAL FUNDING	\$221,948	\$229,194	\$223,948	\$(5,246)	\$230,388	\$225,160	\$(5,228)	0.90

Program Description: This program is responsible for insuring that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. The program provides for licensing, sampling, laboratory testing, and product and site inspecting done in cooperation with other state and federal agencies.

Budget: The department's 10 percent reduction in general fund from the Governor's budget recommendations resulted in the transfer of a 0.5 FTE clerical position and \$10,000 to the Inspection and Control Program. No vacancy savings was applied which increased the budget by \$7,163 in fiscal 1988 and \$7,200 in fiscal 1989.

The travel budget was increased by \$1,099 in fiscal 1988 and \$1,283 in fiscal 1989 to reflect the travel needs of a fully staffed program. Operating expenses were reduced by \$3,000 per year as part of the general fund reduction. The equipment budget contains funding for the replacement of two vehicles in each year of the biennium.

Funding: This program is funded primarily with general fund. The federal government contributes funds for inspecting poultry products for the school lunch program and for the egg shell surveillance program.

Difference From Executive: The legislature did not apply a 4 percent vacancy savings factor to the program's budget. This added \$7,163 in fiscal 1988 and \$7,200 in fiscal 1989. A 0.5 FTE was transferred to the Inspection and Control



Program. This transfer resulted in a \$10,000 per year general fund savings. In the Milk and Egg Program the position was financed with general fund; in the Inspection and Control Program the position will be financed with state special revenue. The legislature reduced operating expenses by \$3,000 per year as part of the department's 10 percent general fund reduction.

AGENCY: DEPARTMENT OF LIVESTOCK

LEGISLATIVE ACTION

PROGRAM: INSPECTION AND CONTROL PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	68.61	68.61	69.11	0.50	68.61	69.11	0.50	0.50
Personal Services	\$1,506,564	\$1,654,438	\$1,733,964	\$79,526	\$1,658,574	\$1,738,253	\$79,679	15.09
Operating Expenses	230,101	257,794	257,794	0	265,147	265,147	0	12.04
Equipment	75,932	66,257	66,257	0	74,718	74,718	0	-12.74
TOTAL EXPENSES	\$1,812,597	\$1,978,489	\$2,058,015	\$79,526	\$1,998,439	\$2,078,118	\$79,679	13.54
STATE SPECIAL REVENUE	\$1,812,597	\$1,978,489	\$2,058,015	\$79,526	\$1,998,439	\$2,078,118	\$79,679	13.54

**Program Description:** This program is responsible for theft investigations, stray livestock security interests, dealer licensing, and hide and beef inspections, recording of livestock brands, filing of livestock security interests, dealer licensing, and hide and beef inspection.

**Budget:** No vacancy savings was applied to this program which increased the budget by \$69,526 in fiscal 1988 and \$69,679 in fiscal 1989. In fiscal 1986 there were 5.90 FTE vacant positions in this program. These positions are funded for the 1989 biennium in case the livestock market should improve during the 1989 biennium. The increase of 0.5 FTE reflects the transfer of the clerical position from the Milk and Egg Program.

Operating expenses increase approximately \$10,000 per year to reflect the filling of the 5.90 FTE positions. An additional \$8,012 per year was added for computer processing costs, additional computer terminals, and for a personal computer connected to the mainframe. An additional \$9,735 in fiscal 1988 and \$14,937 in fiscal 1989 was included in the current level to connect personal computers statewide via communication lines and to connect a terminal in Helena with the Department of Administration's mainframe. The equipment budget includes funding for five 1/2 ton pickup trucks and one automobile (\$59,357) to be purchased in fiscal 1988 and six 1/2 ton pickup trucks (\$59,118) in fiscal 1989. Two new computer terminals and replacement of one costing \$6,900 in fiscal 1988 and replacement of two terminals in fiscal 1989 at \$15,600 are included.

**Funding:** The program is funded entirely by the per head assessment on livestock.

**Difference From Executive:** The legislature did not apply a 4 percent vacancy savings factor to the program's budget. A 0.5 FTE and \$10,000 per year were transferred to the Inspection and Control Program from the Milk and Egg Program.

AGENCY: DEPARTMENT OF LIVESTOCK

LEGISLATIVE ACTION

PROGRAM: BEEF AND PORK RESEARCH AND MARKETING

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	\$ 50	\$ 0	\$ 0	\$0	\$ 0	\$ 0	\$0	-100.00
Operating Expenses	508,578	75,000	75,000	0	75,000	75,000	0	-85.25
TOTAL EXPENSES	\$508,628	\$75,000	\$75,000	\$0	\$75,000	\$75,000	\$0	-85.25
FEDERAL REVENUE	\$508,628	\$75,000	\$75,000	\$0	\$75,000	\$75,000	\$0	-85.25

Program Description: This program promotes research of the production and marketing of beef and pork through collection and distribution of funds. Funds derived from a 20 cent per head assessment on swine sold are distributed to the Montana Pork Council. Funds derived from a \$1 per head tax on cattle are allocated to the Montana Beef Council for distribution to state and national organizations.

Budget: In fiscal 1986 the Department of Livestock collected the tax on cattle and forwarded the funds to the state and national beef organizations. In fiscal 1987 the beef tax collections were converted to a fiduciary fund. The collections do not appear in the appropriations bill because the state is simply collecting and forwarding the revenue. Therefore, an appropriation is not needed.

Funding: The \$75,000 per year appropriated to this program is from the 20 cent per head assessment on swine.



AGENCY: DEPARTMENT OF LIVESTOCK

LEGISLATIVE ACTION

PROGRAM: PREDATORY ANIMAL CONTROL PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	1.00	1.00	1.00	0.00		1.00	1.00	0.00		0.00
Personal Services	\$ 38,623	\$ 40,456	\$ 42,142	\$ 1,686		\$ 40,672	\$ 42,367	\$ 1,695		9.11
Operating Expenses	142,307	215,634	215,634	0		218,920	218,920	0		51.53
Equipment	4,691	0	10,000	10,000		0	10,000	10,000		113.17
TOTAL EXPENSES	\$185,621	\$256,090	\$267,776	\$11,686		\$259,592	\$271,287	\$11,695		
FUNDING										
STATE SPECIAL REVENUE	\$185,621	\$256,090	\$267,776	\$11,686		\$259,592	\$271,287	\$11,695		44.26

Program Description: This program offers protection to livestock producers by controlling certain types of predators that kill or injure domestic livestock.

Budget: No vacancy savings was taken for this program which increased the budget by \$1,686 in fiscal 1988 and \$1,695 in fiscal 1989. The budget includes an increase of \$31,301 per year for contracted predator control. The total available for contracted predator control is \$100,000 per year. The budget also includes an increase for helicopter maintenance of \$32,563 in fiscal 1988 and \$37,563 in fiscal 1989, an increase in helicopter fuel costs of \$4,100 per year, a \$3,100 per year increase in helicopter insurance, and a \$1,650 per year increase in travel. The legislature included \$10,000 per year for predator control equipment.

Funding: This program is funded primarily by an assessment on livestock based on taxable value. The program also receives a \$75,000 grant from the Department of Fish, Wildlife, and Parks.

Difference From Executive: The legislature did not apply a 4 percent vacancy savings factor to the program's budget. This added \$1,686 in fiscal 1988 and \$1,695 in fiscal 1989. The legislature added \$10,000 per year to the executive recommendation for equipment.

AGENCY: DEPARTMENT OF LIVESTOCK

LEGISLATIVE ACTION

PROGRAM: RABIES AND RODENT CONTROL

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	\$ 100	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
Operating Expenses	82,890	82,613	60,113	(22,500)	82,613	60,113	(22,500)	-27.48
TOTAL EXPENSES	<u>\$82,990</u>	<u>\$82,613</u>	<u>\$60,113</u>	<u>(\$22,500)</u>	<u>\$82,613</u>	<u>\$60,113</u>	<u>\$(22,500)</u>	<u>-27.57</u>
FUNDING								
General Fund	\$67,991	\$67,613	\$45,113	\$(22,500)	\$67,613	\$45,113	\$(22,500)	-33.65
State Special Revenue	14,999	15,000	15,000	0	15,000	15,000	0	0.01
TOTAL FUNDING	<u>\$82,990</u>	<u>\$82,613</u>	<u>\$60,113</u>	<u>\$(22,500)</u>	<u>\$82,613</u>	<u>\$60,113</u>	<u>\$(22,500)</u>	<u>-27.57</u>

Program Description: This program attempts to prevent exposure of domestic animals and humans to rabid skunks. The objective of the program is to reduce the skunk population in areas that have proven rabies carriers.

Budget: As part of the department's 10 percent general fund reduction, this program was reduced by \$22,500 per year.

Funding: This program is funded by general fund and a \$15,000 per year grant from the Department of Fish, Wildlife, and Parks.

Difference From Executive: The legislature reduced the program by \$22,500 per year of general fund as part of the department's 10 percent reduction.

AGENCY: DEPARTMENT OF LIVESTOCK

LEGISLATIVE ACTION

PROGRAM: MEAT INSPECTION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	0.00	12.00	12.00	0.00	12.00	12.00	12.00
Personal Services	\$0	\$0	\$220,358	\$220,358	\$0	\$220,852	\$220,852	N/A
Operating Expenses	0	0	51,942	51,942	0	51,948	51,948	N/A
Equipment	0	0	6,500	6,500	0	1,000	1,000	N/A
TOTAL EXPENSES	\$0 ==	\$0 ==	\$278,800 =====	\$278,800 =====	\$0 ==	\$273,800 =====	\$273,800 =====	N/A =====
FUNDING								
General Fund	\$0	\$0	\$139,400	\$139,400	\$0	\$136,900	\$136,900	N/A
Federal Revenue	0	0	139,400	139,400	0	136,900	136,900	N/A
TOTAL FUNDING	\$0 ==	\$0 ==	\$278,800 =====	\$278,800 =====	\$0 ==	\$273,800 =====	\$273,800 =====	N/A =====

**Program Description:** The Montana Meat and Inspection Act of 1987 provides the authority for this program whose function will be to implement and enforce a state meat inspection program equal to the inspection system maintained by the U.S. Department of Agriculture, Food Safety Inspection Service. The goal of the program is provided for in the federal Wholesome Meat Act. It is the intent that this program, within the Animal Health Division, will provide a state certified supply of wholesome Montana meat products for retail consumption. By providing a state program under federal standards, it is anticipated that more Montana-raised products make their way into Montana-based processing plants before being sent to retail markets.

The legislature created a state meat inspection program, even though it will duplicate the responsibilities of the federal meat inspection program, for two reasons. First and foremost, the industry could contact officials in Helena or the department's district office when problems or disagreements arise, rather than wait for a response from the U.S. Department of Agriculture office in Billings or possibly some other place outside of Montana. Second, the federal meat inspection program is geared toward the meat slaughter houses which for the most part do not exist in Montana. It has been the experience of the smaller Montana meat processors that when a problem has developed between themselves and the federal meat inspectors, the appeal of an inspector's decision is cumbersome and unyielding. A state-administered program would have state officials who would be familiar with small meat processing plants and able to work with the small processor and not drive them out of business.



Budget: The legislature appropriated 12.0 FTE and \$278,800 in fiscal 1988 and \$273,800 in fiscal 1989 to implement the program.

Funding: Fifty percent of the program is funded with state general fund and fifty percent by federal funds from the Federal Department of Agriculture.

Other Legislation:

1. House Bill 814 - established the program and appropriated the funding to the program.

AGENCY: DEPARTMENT OF AGRICULTURE

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	93.82	86.67	88.00	1.33	86.67	88.00	1.33	-5.82
Personal Services	\$2,101,424	\$2,202,547	\$2,243,364	\$ 40,817	\$2,207,398	\$2,248,421	\$ 41,023	6.75
Operating Expenses	710,615	913,352	887,063	(26,289)	893,986	752,656	(141,330)	24.83
Equipment	136,570	113,160	114,253	1,093	132,657	131,835	(822)	-16.34
Non-Operating	556,008	1,300,701	1,811,068	510,367	1,300,701	1,672,026	371,325	225.73
TOTAL EXPENSES	\$3,504,617	\$4,529,760	\$5,055,748	\$ 525,988	\$4,534,742	\$4,804,938	\$ 270,196	44.26
FUNDING								
General Fund	\$1,542,157	\$1,727,976	\$1,582,894	\$ (145,082)	\$1,708,478	\$1,516,245	\$ (192,233)	2.64
State Special Revenue	793,603	820,147	1,489,354	669,207	789,337	1,266,724	477,387	87.67
Federal Revenue	858,196	1,686,745	1,688,601	1,856	1,741,387	1,729,827	(11,560)	96.76
Proprietary Fund	79,330	33,289	33,289	0	33,490	33,490	0	-58.04
Expendable Trust	231,331	261,603	261,610	7	262,050	258,652	(3,398)	13.09
TOTAL FUNDING	\$3,504,617	\$4,529,760	\$5,055,748	\$ 525,988	\$4,534,742	\$4,804,938	\$ 270,196	44.26

Program Description: The Department of Agriculture was established by Article XII, Section I of the Montana Constitution. It is designed to encourage and promote the interests of all agricultural and allied industries in Montana; collect and publish statistics relating to the production and marketing of agricultural products; assist, encourage, and promote the organization of farmers; gather and distribute marketing information; and administer regulations pertaining to production and marketing of food and fiber products.

Budget: A 4 percent vacancy savings factor was applied to all department programs. The 5.82 FTE reduction reflects the elimination of 6.01 FTE in the 1987 biennium, the elimination of 3.0 FTE in the 1989 biennium, and 3.19 FTE added by budget modification. The increase in non-operating reflects a net increase in the noxious weed education program of \$263,664 in fiscal 1988 and \$124,622 in fiscal 1989 and the wheat marketing and research grants being increased by \$1,063,952 per year.

AGENCY: DEPARTMENT OF AGRICULTURE

LEGISLATIVE ACTION

PROGRAM: CENTRALIZED SERVICES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	12.00	11.25	11.25	0.00	11.25	11.25	0.00	-0.75
Personal Services	\$339,786	\$336,262	\$ 336,496	\$ 234	\$336,399	\$336,751	\$ 352	-0.97
Operating Expenses	85,724	106,573	140,084	33,511	76,398	96,982	20,584	63.41
Equipment	3,183	1,370	1,370	0	0	0	0	-56.96
Non-Operating	246,703	111,776	622,143	510,367	111,776	483,101	371,325	152.18
TOTAL EXPENSES	\$675,396	\$555,981	\$1,100,093	\$544,112	\$524,573	\$916,834	\$392,261	62.88
FUNDING								
General Fund	\$304,892	\$262,088	\$ 264,469	\$ 2,381	\$251,470	\$252,481	\$ 1,011	-13.26
State Special Revenue	290,306	203,552	733,872	530,320	197,345	588,609	391,264	152.79
Federal Revenue	51,030	60,122	71,526	11,404	46,939	46,935	(4)	40.16
Proprietary Fund	2,000	0	0	0	0	0	0	-100.00
Expendable Trust	27,168	30,219	30,226	7	28,819	28,809	(10)	11.26
TOTAL FUNDING	\$675,396	\$555,981	\$1,100,093	\$544,112	\$524,573	\$916,834	\$392,261	62.88

**Program Description:** This program provides accounting, fiscal management, payroll, personnel, purchasing, property control, data processing, equal opportunity administration, and legal support to all programs within the department. Attached to this program is the weed management program which administers the noxious weed management trust fund and provides special grants for noxious weed control and eradication.

**Budget:** A 0.75 FTE clerical position was eliminated due to Special Session III reductions.

The noxious weed coordinator's travel budget was increased by \$4,643 in fiscal 1988 and \$3,057 in fiscal 1989. Indirect costs increased \$500 per year and computer maintenance increased \$2,300 per year. Travel in-state for the director and centralized service staff increased \$3,700 in fiscal 1988 and \$2,200 in fiscal 1989. An additional \$20,000 per year was added for the Agriculture in Montana Schools Program. In fiscal 1988 only, the budget includes \$9,750 of private funds for the hosting of the Western States Agriculture Departments Conference, the biennial audit appropriation of \$21,911, and private funds of \$11,416 to assist the state develop localized weed programs. Equipment



includes office equipment in fiscal 1988 and a camera in fiscal 1989. The non-operating appropriation is the funding for noxious weed grants.

In the 1987 biennium, the legislature enacted the noxious weed act and appropriated \$500,000 of resource indemnity trust fund interest and \$500,000 of pesticide tax revenues for noxious weed control. The act created a noxious weed trust fund. Fifty percent of the pesticide tax revenue was to be deposited into the trust. The trust can not have funds withdrawn from it until the principal reaches \$2,500,000. As of May 1987, there was \$589,939 in the noxious weed trust fund.

As mentioned in the previous paragraph, the legislature appropriated a total of \$1,000,000 for noxious weed control in the 1987 biennium. However, revenues were insufficient to support the level appropriated. The revenues from the pesticide tax were not sufficient to fund its \$500,000 portion of the \$1,000,000 program. The total estimated revenues from the pesticide tax are only \$500,000, and 50 percent of that amount is deposited into the trust fund. Therefore, the maximum revenues available in the 1987 biennium were approximately \$750,000. For the 1987 biennium, the department will expend approximately \$625,000 and will have committed an additional \$125,000.

For the 1989 biennium, the legislature appropriated the \$250,000 of pesticide revenues for noxious weed control and also two new acts were passed which created additional revenues for the noxious weed control program. First House Bill 621 appropriated \$139,042 of oil overcharge funds for noxious weed control. Second, House Bill 102 enacts a 50 cent per vehicle registration fee which is to be used for noxious weed control. Table 1 details the 1989 biennial funding of noxious weed programs.

Table 1  
Noxious Weed Program For the 1989 Biennium

	Administration	Fiscal 1988	Council and Grants
General Fund	\$38,372		\$ -0-
Pesticide Tax	-0-		124,843
Oil Overcharge Funds (HB 621)	-0-		139,042
50 cent Vehicle Registration (HB 102)	-0-		371,325
Private Funds	-0-		11,416
Total	<u>\$38,372</u>		<u>\$646,626</u>
		Fiscal 1989	
General Fund	\$37,465		\$ -0-
Pesticide Tax	-0-		124,835
50 cent Vehicle Registration (HB 102)	-0-		371,325
Total	<u>\$37,465</u>		<u>\$496,160</u>

Funding: The funding for this program is prorated to the various revenue sources which support the department's programs. The personal services of each program compared to the total personal services was used as the ratio for determining an individual program's support of centralized services. The ratio which was determined was 20.34 percent. Those revenue accounts which couldn't finance their complete shares of administrative costs were subsidized by the general fund. Also 2.5 percent of all grants was added in the calculation for the financing of centralized services. The division houses the noxious weed program which is funded by the tax on herbicides, oil overcharge funds, and vehicle registration fees. The noxious weed coordinator is funded by general fund. In fiscal 1988, \$11,416 of private funds are available to develop localized weed program. Table 2 shows the source of centralized services funding.

Other Legislation: Two bills which the legislature enacted affected this program. House Bills 621 and 102 increased funding for noxious weed control programs. The effects of both bills are detailed in the "budget" section.

Difference From Executive: There are four differences in the final legislative action compared to the executive budget. First, in fiscal 1988, \$11,416 of private funds were added to assist the state develop localized weed program. Second, \$20,000 per year was added for agriculture in Montana schools. Third, \$371,385 per year was added from vehicle registration for noxious weed control. Fourth, a \$139,042 grant of oil overcharge funds from the Department of Natural Resources and Conservation was added in fiscal 1988.

Table 2  
Centralized Service Funding by Program

Fund	Centralized Services	Fiscal 1988		Total
		Noxious Weed Coordinator	Noxious Weed Council & Grants	
General Fund	\$226,097		\$ -0-	\$ 264,469
State Special				
Noxious Weed Fund	-0-	-0-	124,843	124,843
Commercial Fertilizer	18,378	-0-	-0-	18,378
Grain Services	41,905	-0-	-0-	41,905
Commercial Feed	18,379	-0-	-0-	18,379
Agriculture in MT Schools	20,000	-0-	-0-	20,000
Vehicle Registration Fee	-0-	-0-	371,325	371,325
Oil Overcharge Funds	-0-	-0-	139,042	139,042
Federal and Other				
Federal Indirect	13,226	-0-	-0-	13,226
Wheat Research	31,134	-0-	-0-	31,134
Private Funds	15,750	-0-	11,416	27,166
Expendable Trust				
Hail Insurance	24,041	-0-	-0-	24,041
Rural Development	6,185	-0-	-0-	6,185
Total	<u>\$415,095</u>	<u>\$38,372</u>	<u>\$646,626</u>	<u>\$1,100,093</u>
Fiscal 1989				
General Fund	\$215,016	\$37,465	\$ -0-	\$252,481
State Special				
Noxious Weed Fund	-0-	-0-	124,835	124,835
Commercial Fertilizer	16,866	-0-	-0-	16,866
Grain Services	38,717	-0-	-0-	38,717
Commercial Feed	16,866	-0-	-0-	16,866
Agriculture in MT Schools	20,000	-0-	-0-	20,000
Vehicle Registration Fee	-0-	-0-	371,325	371,325
Federal and Other				
Federal Indirect	13,283	-0-	-0-	13,283
Wheat Research	28,652	-0-	-0-	28,652
Private Funds	5,000	-0-	-0-	5,000
Expendable Trust				
Hail Insurance	22,050	-0-	-0-	22,050
Rural Development	6,759	-0-	-0-	6,759
Total	<u>\$383,209</u>	<u>\$37,465</u>	<u>\$496,160</u>	<u>\$916,834</u>



AGENCY: DEPARTMENT OF AGRICULTURE

LEGISLATIVE ACTION

PROGRAM: HAIL INSURANCE UNIT

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	6.30	6.30	6.30	0.00	6.30	6.30	0.00	0.00
Personal Services	\$104,787	\$113,636	\$113,636	\$0	\$113,537	\$113,537	\$0	8.44
Operating Expenses	36,977	41,995	41,995	0	41,432	41,432	0	13.57
Equipment	2,222	4,500	4,500	0	2,000	2,000	0	102.52
TOTAL EXPENSES	\$143,986	\$160,131	\$160,131	\$0	\$156,969	\$156,969	\$0	11.21
EXPENDABLE TRUST	\$143,986	\$160,131	\$160,131	\$0	\$156,969	\$156,969	\$0	11.21

Program Description: This program provides administration of Montana's hail insurance laws and offers grain growers insurance and protection against crop loss due to hail. As provided in Section 80-2-232, MCA, 2 percent of the gross annual levies collected from the participants goes to the counties and 1 1/2 percent to the state for administration. This program is attached to the department for administrative purposes only. By statute, the department director is a member and secretary of the Board of Hail Insurance.

Budget: The increase in personal services is caused by the fiscal 1987 pay raise and an increase in overtime costs of \$4,000 per year. Because of the drought conditions in fiscal 1986, there was very little crop damage cause by hail; and therefore, there was a below average amount of funds expended for claims adjustor overtime and travel. The travel budget was increased by \$2,191 per year over the amount expended in fiscal 1986. Other minor adjustments in operating expenses increased the budget by approximately \$2,500 per year.

The equipment approved includes replacement of a computer at \$3,500 in fiscal 1988 and a printer at \$2,000 in fiscal 1989. A typewriter is to be replaced in fiscal 1988 at a cost of \$1,000.

Funding: This program is financed by participating farmers and ranchers who purchase the hail insurance.

AGENCY: DEPARTMENT OF AGRICULTURE

LEGISLATIVE ACTION

PROGRAM: WHEAT RESEARCH AND MARKETING

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	3.12	3.12	3.12	0.00	3.12	3.12	0.00	0.00
Personal Services	\$ 89,683	\$ 95,292	\$ 95,692	\$ 400	\$ 95,506	\$ 95,906	\$ 400	6.70
Operating Expenses	78,627	102,407	92,459	(9,948)	104,494	93,660	(10,834)	17.59
Equipment	2,935	1,122	1,122	0	1,122	0	(1,122)	-61.77
Non-Operating	296,246	1,170,925	1,170,925	0	1,170,925	1,170,925	0	295.25
TOTAL EXPENSES	\$467,491	\$1,369,746	\$1,360,198	\$(9,548)	\$1,372,047	\$1,360,491	\$(11,556)	190.96
OTHER REVENUE	\$467,491	\$1,369,746	\$1,360,198	\$(9,548)	\$1,372,047	\$1,360,491	\$(11,556)	190.96

Program Description: This program encourages and promotes both the development of markets for Montana wheat and barley and intensive scientific and practical research into all phases of wheat and barley culture, production, and use. The Wheat Research and Marketing Unit is attached to the department for administrative purposes only. The department director is an ex-officio member of the Wheat Research and Marketing Committees.

Legislative Intent: The above program description was included in the appropriation bill as a detailed description of this program to emphasize the purpose of the program in the appropriations bill.

Budget: Because of the drought conditions in fiscal 1986, the board reduced its travel expenditures. The fiscal 1988 and 1989 travel budgets have been increased by \$9,949 in fiscal 1988 and \$10,835 in fiscal 1989 to reflect a more normal travel expenditure rate. Contracted services were reduced \$12,000 per year. Postage was increased \$4,460 per year so the board can mail out its newsletter to 18,000 producers. The budget has funding for a second code-a-phone service at \$5,041 per year and a \$6,500 per year increase in printing and graphics.

The non-operating expenditures for the 1989 biennium are based upon an increase in revenues that are projected for the biennium. The non-operating line funds the promotion and research done for wheat and barley producers.

Funding: This program is totally funded by participating grain producers. Table 3 details the amount of wheat and barley by year upon which the budget is based. The refundable tax rate is 6 mills/bushels on wheat and 12 mills/hundred weight on barley which will generate \$1,381,900 in fiscal 1988 and \$1,381,900 in fiscal 1989.

Table 3  
Bushels of Wheat and Barley Taxed for Research and Marketing  
(Millions)

<u>Grain</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Wheat	50.20	136.85	142.00	142.00
Barley	30.00	89.38	92.00	92.00

Difference From Executive: The legislature appropriated approximately \$10,000 per year less for travel than recommended by the executive. The legislature also did not appropriate any funds for equipment in fiscal 1989.



AGENCY: DEPARTMENT OF AGRICULTURE

LEGISLATIVE ACTION

PROGRAM: ENVIRONMENTAL MANAGEMENT DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	30.01	26.50	25.50	-1.00		26.50	25.50	-1.00		-4.51
Personal Services	\$ 691,555	\$694,682	\$666,641	\$(28,041)		\$ 697,138	\$669,036	\$(28,102)		-3.60
Operating Expenses	229,019	235,817	227,766	(8,051)		240,664	231,797	(8,867)		-0.55
Equipment	127,319	57,280	57,280	0		98,435	98,435	0		-55.01
TOTAL EXPENSES	\$1,047,893	\$987,779	\$951,687	\$(36,092)		\$1,036,237	\$999,268	\$(36,969)		-9.18
FUNDING										
General Fund	\$ 681,195	\$649,681	\$613,589	\$(36,092)		\$ 649,792	\$612,823	\$(36,969)		-9.92
State Special Revenue	157,757	153,544	153,544	0		142,615	142,615	0		-2.67
Federal Revenue	208,941	184,554	184,554	0		243,830	243,830	0		-11.67
TOTAL FUNDING	\$1,047,893	\$987,779	\$951,687	\$(36,092)		\$1,036,237	\$999,268	\$(36,969)		-9.18

**Program Description:** This program is responsible for administering the Montana Pesticides Act, the Crop Insect Detection and Management Act, the Noxious Plant Management Assistance Act, the Vertebrate Pest Management Act, and for managing the department's chemical analytical laboratory. Technical and consultant services are also provided to consumers and agricultural producers in pesticide chemical analysis and in pest management areas.

**Budget:** A chemist supervisor position was eliminated for a general fund savings of \$26,716 in fiscal 1988 and \$26,778 in fiscal 1989. The positions that were eliminated in the 1987 biennium were not restored in the 1989 biennium. In fiscal 1987 six seasonal biological aides (1.51 FTE) were eliminated as part of the division's 5 percent cut and 1.0 FTE pesticide specialist was eliminated to finance the 1987 pay plan. The department also eliminated 1.0 FTE chemist which the Environmental Protection Agency formerly financed.

The equipment approved is financed by either federal or state special revenues. The major equipment authorized was a high pressure liquid chromatograph detector for \$25,000, a replacement controller and data system for the gas chromatograph system for \$12,000, replacement of a gas chromatograph mass spectrometer for \$85,000, educational equipment for \$4,965, a personal computer for \$5,709, and other laboratory equipment for \$23,041.

Funding: The program is funded with general fund, state special revenue, and federal funds as detailed in Table 4.

Table 4  
Environmental Management Division Funding

<u>Fund</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Source</u>
General Fund			
State Special Revenue	\$613,589	\$612,823	
Training Funds	11,500	12,000	Fees for administering pesticide use and training courses
Commercial Feed	47,348	43,538	A 10 cent per ton tax on commercial feed
Commercial Fertilizer	94,696	87,077	A 25 cent per ton tax on fertilizer
Federal Revenue			
Environ. Protection Agency	179,554	238,830	
Pesticide Manual	5,000	5,000	A fee collected for the cost of printing the manual
Total	<u>\$951,687</u>	<u>\$999,268</u>	

Difference From Executive: The legislature eliminated a chemist supervisor position for a reduction of \$28,000 per year. The legislature did not approve \$8,051 for travel in fiscal 1988 and \$8,867 in fiscal 1989 that was recommended by the executive.

AGENCY: DEPARTMENT OF AGRICULTURE

LEGISLATIVE ACTION

PROGRAM: PLANT INDUSTRY DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1983			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	30.39	28.83	31.83	3.00	28.83	31.83	3.00	1.44
Personal Services	\$678,734	\$707,739	\$783,169	\$75,430	\$709,771	\$785,347	\$75,576	15.39
Operating Expenses	131,273	149,868	166,003	16,135	151,205	167,340	16,135	26.46
Equipment	0	48,888	49,481	593	31,100	31,100	0	N/A
TOTAL EXPENSES	\$810,007	\$906,495	\$998,653	\$92,158	\$892,076	\$983,787	\$91,711	23.29
FUNDING								
General Fund	\$418,974	\$420,462	\$422,997	\$ 2,535	\$418,410	\$422,945	\$ 4,535	0.96
State Special Revenue	332,361	420,721	510,344	89,623	406,905	494,081	87,176	53.55
Federal Revenue	26,586	32,023	32,023	0	33,271	33,271	0	20.45
Other Revenue	32,086	33,289	33,289	0	33,490	33,490	0	3.75
TOTAL FUNDING	\$810,007	\$906,495	\$998,653	\$92,158	\$892,076	\$983,787	\$91,711	23.29

**Program Description:** This program administers agricultural programs relating to the production, manufacturing, and marketing of commodities exported from or distributed in the state. The division provides services to industry by: (a) performing professional insect/disease surveys; (b) doing comprehensive feed mill inspections; (c) issuing official commodity certificates; (d) issuing dealer licenses/permits; (e) registering products; (f) doing analytical analyses for bees, etc.; and (g) collecting various assessment fees. Division personnel provide technical/scientific information upon request to the industry and the general public by investigating and resolving consumer complaints. The consumer complaints range from product contamination and quality control to elevator bankruptcies and non-payment for products.

**Budget:** In response to the statewide 5 percent cuts in fiscal 1987, the department eliminated 1.0 FTE funded with general fund and 0.75 FTE funded by state special funds. These reductions are carried forward into the 1989 biennium. As a result of budget modifications, 3.19 FTE were added to this program.

The budget includes a travel increase of \$2,621 per year and an increase in maintenance funds for the grain laboratory of \$3,004 in fiscal 1988 and \$2,940 in fiscal 1989. An additional \$5,190 per year of general fund was added for apiary expenses related to testing for bee diseases. Three modifieds approved increase the budget by \$99,650 in



fiscal 1988 and \$100,036 in fiscal 1989. Included in the 1989 biennium budget is \$17,304 in fiscal 1988 and \$18,000 in fiscal 1989 for replacement of two cars in each fiscal year. In fiscal 1988 there is \$14,728 for computer equipment and in fiscal 1989 there is \$12,500 state special funds to replace an infra-red protein analyzer. An additional \$14,650 of grain lab funds was added in fiscal 1988 for replacement of laboratory equipment.

Modifieds Approved: The following budget modifications have been approved:

1. Apple Inspector - An additional 0.19 FTE was added to inspect apples for federal grading purposes. The position would be financed by fees charged for inspecting the apples at a cost of \$3,288 in fiscal 1988 and \$3,278 in fiscal 1989. The apples will be graded at the processing plant to insure that they meet certain grading standards.
2. Heavy Metal Surveillance - Federal funds of \$9,332 in fiscal 1988 and \$9,582 in fiscal 1989 are available for expanding the surveillance of mineral products and pet foods for heavy metals. The state agricultural laboratory will be analyzing samples of pet food for heavy metals.
3. Grain Lab - Three additional FTE were approved for the grain laboratory in Great Falls because of the increased requests at the state grain laboratory for grain inspections and certifications. Two of the FTE were part of a budget amendment that was approved in fiscal 1986. The additional FTE are financed by grain inspection fees and cost \$87,030 in fiscal 1988 and \$87,176 in fiscal 1989.

Funding: Table 5 details the funding of the plant industry division for the 1989 biennium.

Table 5  
Plant Industry Funding for the 1989 Biennium

<u>Revenue Source</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Purpose</u>
General Fund		\$422,945	
State Special Revenue			
Anhydrous Ammonia	37,951	37,796	\$1/ton tax on anhydrous ammonia fertilizer
Commercial Fertilizer	67,295	66,946	25 cent/ton tax on fertilizer
Commercial Feed	33,682	33,533	10 cent/ton tax on commercial feed
Grain Services	368,128	352,528	State charges for the service of analyzing
Apple Inspection Fee	3,288	3,278	Apple inspection fee grain samples
Federal Revenue			
Environ Protection Agency	30,963	32,211	
Wheat Research & Marketing	1,060	1,060	
Proprietary Fund			
Alfalfa Leaf Cutter	33,289	33,490	Charges to bee keepers
Total	<u>\$998,653</u>	<u>\$983,787</u>	

Other Legislation:

1. House Bill 184 - requires the Department of Agriculture to establish fees for the inspection and certification of apples. The bill establishes an enterprise fund in which the inspection fees are deposited. The appropriation in House Bill 2 for the apple inspection program was made from state special revenue and not from the enterprise fund.

2. House Bill 661 - raises apiary fees by approximately \$19,180 per year and these revenues are deposited into the general fund. As detailed in the budget section, appropriation for bee disease testing was increased by \$5,190 per year.

3. House Bill 864 - increases certain produce and nursery inspection and licensing fees. The revenue from these fees is deposited into the general fund. Currently these fees generate only about 61 percent of the cost of administering the inspections and licensing. The proposed increases will generate approximately \$80,000 additional revenue per year. The fees will then be supporting 80 percent of the program.

Difference From Executive: The legislature approved the grain lab budget modification which was not recommended by the executive. The legislature also approved \$5,190 per year for increased apiary support which was above the executive recommendation.

AGENCY: DEPARTMENT OF AGRICULTURE

LEGISLATIVE ACTION

PROGRAM: AGRICULTURAL DEVELOPMENT DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	12.00	10.67	10.00	-0.67	10.67	10.00	-0.67	-2.00
Personal Services	\$196,881	\$254,936	\$247,729	\$ (7,207)	\$255,047	\$247,844	\$ (7,203)	25.83
Operating Expenses	149,012	276,692	218,757	(57,935)	279,793	121,455	(158,338)	46.80
Equipment	911	0	500	500	0	300	300	-45.12
Non-Operating	13,059	18,000	18,000	0	18,000	18,000	0	37.84
TOTAL EXPENSES	\$359,863	\$549,628	\$484,986	\$ (64,642)	\$552,840	\$387,599	\$ (165,241)	34.77
FUNDING								
General Fund	\$137,101	\$395,745	\$281,839	\$ (113,906)	\$388,806	\$227,996	\$ (160,810)	105.57
State Special Revenue	13,193	42,330	91,594	49,264	42,472	41,419	(1,053)	594.26
Federal Revenue	104,151	40,300	40,300	0	45,300	45,300	0	-61.31
Proprietary Fund	45,241	0	0	0	0	0	0	-100.00
Expendable Trust	60,177	71,253	71,253	0	76,262	72,874	(3,388)	18.41
TOTAL FUNDING	\$359,863	\$549,628	\$484,986	\$ (64,642)	\$552,840	\$387,599	\$ (165,241)	34.77

Program Description: This program is composed of the Rural Development Unit, the Crop and Livestock Reporting Unit, the Marketing Unit, the Counseling and Mediation Program, and provides administrative support to the Alfalfa Seed Committee. These programs provide agricultural loans to low income rural Montanans, collect and publish statistics relating to the production and marketing of crops and livestock, assist producers and industries in marketing their products, and counsel and provide mediation services for farmers and ranchers.

Budget: The Beginning Farmer Loan Program which was designed to provide loans to beginning farmers was unable to become self sufficient and had processed only two loans during the program's existence. Therefore, the program was not continued in the 1989 biennium which eliminated 1.0 FTE. The \$197,294 loan from the general fund to the Beginning Farm Loan Program does not have to be repaid. The Agricultural Counseling and Mediation Program had 1.0 FTE eliminated.

The marketing program was increased by \$5,000 per year to promote Montana agriculture products. The \$18,000 non-operating appropriation is the Rural Development Trust Fund grants to rural youth development programs. The



remaining increases over fiscal 1986 are in the agricultural counseling and mediation program. The reduction of operating expenses in fiscal 1989 reflects the biennial appropriation of \$100,000 for mediation services.

Funding: Table 6 details the Agriculture Development Division funding by program.

Table 6  
Agricultural Development Funding

Program	General Fund	Alfalfa Seed	Fiscal 1988	Private	Wheat Research	Rural Dev Trust Fund	Total
Alfalfa Seed	\$ -0-	\$41,194	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 41,194
Rural Development	-0-	-0-	-0-	-0-	-0-	71,253	71,253
Marketing	42,204	-0-	-0-	-0-	3,700	-0-	45,904
Crop Reporting	65,460	400	10,000	-0-	26,600	-0-	102,460
Counseling and Mediation	174,175	-0-	-0-	50,000	-0-	-0-	224,175
Total	<u>\$281,839</u>	<u>\$41,594</u>	<u>\$10,000</u>	<u>\$50,000</u>	<u>\$30,300</u>	<u>\$71,253</u>	<u>\$484,986</u>
			Fiscal 1989				
Alfalfa Seed	\$ -0-	\$41,019	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 41,019
Rural Development	-0-	-0-	-0-	-0-	-0-	72,874	72,874
Marketing	42,222	-0-	-0-	5,000	3,700	-0-	50,922
Crop Reporting	61,960	400	10,000	-0-	26,600	-0-	98,960
Counseling and Mediation	123,814	-0-	-0-	-0-	-0-	-0-	123,814
Total	<u>\$227,996</u>	<u>\$41,419</u>	<u>\$10,000</u>	<u>\$ 5,000</u>	<u>\$30,300</u>	<u>\$72,874</u>	<u>\$387,589</u>

Other Legislation: House Bill 887 reauthorized funds to continue the Agricultural Counseling and Mediation Program. In addition to the \$347,989 appropriated for the biennium for the counseling and mediation program, House Bill 887 allows the department to expend up to \$50,000 of grants and fees to administer the program. The bill, however, does not appropriate the \$50,000. Therefore, the \$50,000 was not included in the amounts shown in the tables detailing the program's 1989 biennial budget.

Difference From Executive: The legislature appropriated less for the counseling and mediation program than the executive. For both fiscal years, the legislature authorized 0.67 FTE less than recommended by the executive and \$63,000 less in fiscal 1988 and \$163,000 less in fiscal 1989. The legislature appropriated an additional \$5,000 per year for agricultural marketing.

AGENCY: DEPARTMENT OF STATE LANDS

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	----- Executive	Fiscal 1988 Legislature	----- Difference	----- Executive	Fiscal 1989 Legislature	----- Difference	FY 86-88 % Change
FTE	291.55	300.73	297.73	-3.00	307.88	302.88	-5.00	6.18
Personal Services	\$ 7,265,151	\$ 7,474,011	\$ 7,416,078	\$ (57,933)	\$ 7,598,277	\$ 7,484,338	\$ (113,939)	2.08
Operating Expenses	8,359,163	5,600,473	5,443,158	(157,315)	5,352,420	5,195,271	(157,149)	-34.88
Equipment	687,216	568,577	555,553	(13,024)	387,936	378,936	(9,000)	-19.16
Non-Operating	2,821,872	5,283,000	5,283,000	0	5,313,000	5,313,000	0	87.22
TOTAL EXPENSES	\$19,133,402	\$18,926,061	\$18,697,789	\$ (228,272)	\$18,651,633	\$18,371,545	\$ (280,088)	-2.28
FUNDING								
General Fund	\$ 8,678,738	\$ 7,120,793	\$ 6,959,942	\$ (160,851)	\$ 7,055,630	\$ 6,834,436	\$ (221,194)	-19.80
State Special Revenue	3,333,705	2,896,932	2,810,649	(86,283)	2,757,749	2,679,919	(77,830)	-15.69
Federal Revenue	6,922,698	8,716,555	8,735,417	18,862	8,647,935	8,666,871	18,936	26.19
Proprietary Fund	198,261	191,781	191,781	0	190,319	190,319	0	-3.27
TOTAL FUNDING	\$19,133,402	\$18,926,061	\$18,697,789	\$ (228,272)	\$18,651,633	\$18,371,545	\$ (280,088)	-2.28

Program Description: The Department of State Lands was created in 1927 to administer grazing and agricultural trust land. The land administered by the department was acquired in the Enabling Act of 1889 which granted to Montana, for common school support, Sections 16 and 36 in every township within the state. Forested trust land was managed by the Department of Natural Resources and Conservation until July 1, 1981 when the function was transferred to the Department of State Lands. The primary purpose of the department is to administer state trust land holdings for the maximum benefit of the trust recipients. On non-forested lands, the management may include agricultural, grazing, oil and gas, and/or mining leases. On trust forest land, the department management includes reforestation, disease control, timber sales, and fire protection. Additional responsibilities of the department include forest fire protection for private forest lands and administration of the state's reclamation laws and certain other mining laws and regulations.

The department consists of five divisions: (1) Central Management Division; (2) Reclamation Division; (3) Lands Administration Division; (4) Resource Development Division; and (5) Forestry Division.

Department Wide Issue: A 4 percent vacancy saving factor was applied to all department programs.

Budget: The major changes in the Department of State Lands 1989 biennial budget are: 1) an increase of 1.0 FTE in Centralized Services Division to audit oil and gas leases on state owned land; 2) an increase of 3.0 FTE in the Hard Rock Mining Regulating and Licensing Program; 3) an increase of \$2,419,469 per year of federal funds for abandoned mine reclamation; 4) the assumption of the third forest fire protection block from the U.S. Forest Service; 5) continuation of the expanded timber sale program. However, funding was changed from resource development funds to general fund; 6) expanded forestry nursery production for conservation programs plantings; and 7) the consolidation in fiscal 1989 of forestry management support functions with the department's Centralized Services Division.

There is a decrease of 19.80 percent in general fund financing of the department. The decrease is misleading because fiscal 1986 expenditures include \$3,284,844 of a forest fire suppression supplemental which is a one-time expenditure. If the supplemental is taken out of the table, the general fund increases by 29 percent. The major causes of the general fund increase are described in changes 1, 2, 4, and 5 of the previous paragraph.



AGENCY: DEPARTMENT OF STATE LANDS

LEGISLATIVE ACTION

PROGRAM: CENTRAL MANAGEMENT

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	19.00	20.00	21.00	1.00	20.00	21.00	1.00	2.00
Personal Services	\$ 551,946	\$ 591,702	\$ 616,717	\$25,015	\$ 591,291	\$ 616,264	\$24,973	11.74
Operating Expenses	588,484	605,924	615,130	9,206	534,541	541,568	7,027	4.53
Equipment	3,342	0	0	0	0	0	0	-100.00
Non-Operating	265,000	265,000	265,000	0	265,000	265,000	0	0.00
TOTAL EXPENSES	\$1,408,772	\$1,462,626	\$1,496,847	\$34,221	\$1,390,832	\$1,422,832	\$32,000	6.25
FUNDING								
General Fund	\$ 845,057	\$1,023,678	\$1,057,899	\$34,221	\$ 996,672	\$1,028,672	\$32,000	25.19
State Special Revenue	197,085	157,885	157,885	0	114,559	114,559	0	-19.89
Federal Revenue	168,369	89,282	89,282	0	89,282	89,282	0	-46.97
Proprietary Fund	198,261	191,781	191,781	0	190,319	190,319	0	-3.27
TOTAL FUNDING	\$1,408,772	\$1,462,626	\$1,496,847	\$34,221	\$1,390,832	\$1,422,832	\$32,000	6.25

Program Description: Central management is responsible for performing the overall administrative services for the department. These services include revenue collection and distribution, budgeting, accounting, aviation operations, trust record maintenance, personnel, and data processing. The department's legal section and reception services for the Helena office are included in this division.

Budget: An attorney position was transferred from the Forestry Division to Central Management. This results in a general fund increase of \$28,250 per year. An additional position and \$25,000 per year of general fund were added to audit oil and gas leases on state owned land.

The differences in operating expenses between fiscal 1986 and the 1989 biennium include reductions of \$39,200 in fiscal 1988 and \$82,500 in fiscal 1989 for the trust land management system and a \$62,321 increase in fiscal 1988 and a \$30,600 increase in fiscal 1989 in payroll processing costs, aircraft insurance, audit, and other contractual services. Repair and maintenance was reduced by \$17,000 in fiscal 1988 and \$18,500 in fiscal 1989. The Twin Bridges

maintenance modified was approved at \$12,600 each fiscal year. An additional \$7,000 per year was added for operating expenses of the added auditor.

For the 1989 biennium the legislature approved \$265,000 per year general fund for payment to counties. The funds were appropriated for the payment in lieu of taxes. Sections 77-1-501 through 77-1-507, MCA, require the state to reimburse counties in which the state owns over 6 percent of the land area of the county for lost property tax revenues.

Funding: Table 1 details the four components of the Central Management Division and the funding of each component for the 1989 biennium.

Table 1  
Central Management Division - Program Funding

FISCAL 1988						FISCAL 1989					
Program	General Fund	Resource Development Fund	Federal Indirect	Air Operation	Total	Program	General Fund	Resource Development Fund	Federal Indirect	Air Operation	Total
Central Management	\$ 792,899	\$ -0-	\$89,282	\$ -0-	\$ 882,181	Central Management	\$ 763,672	\$ -0-	\$89,282	\$ -0-	\$ 852,954
Trust Land Management System	-0-	157,885	-0-	-0-	157,885	Trust Land Management System	-0-	114,559	-0-	-0-	114,559
Aviation Program	-0-	-0-	-0-	191,781	191,781	Aviation Program	-0-	-0-	-0-	190,319	190,319
Payment in Lieu of Taxes	265,000	-0-	-0-	-0-	265,000	Payment in Lieu of Taxes	265,000	-0-	-0-	-0-	265,000
Total	<u>\$1,057,899</u>	<u>\$157,885</u>	<u>\$89,282</u>	<u>\$191,781</u>	<u>\$1,496,847</u>	Total	<u>\$1,028,672</u>	<u>\$114,559</u>	<u>\$89,282</u>	<u>\$190,319</u>	<u>\$1,422,832</u>

The trust land management system is financed by the resource development fund which receives 2.5 percent of the income revenue generated by state trust fund lands.

The aviation program's direct costs such as fuel and maintenance are financed with proprietary funds whose revenues come from aircraft user charges. The fixed costs such as the pilot's salary, insurance, hanger space, and utilities are financed primarily with general fund.

Modifieds Approved:

1. Twin Bridges - The former state children's facility at Twin Bridges was sold to private interests. The facility has reverted to the state because the private owners defaulted. The \$12,600 per year of general fund will provide minimum maintenance and utilities at the facility in Twin Bridges.

Other Legislation:

1. House Bill 29 - transferred the land titles of non-trust state owned lands from the Secretary of State's office. The bill directs the department to verify the accuracy of the information contained on the ownership records and to perfect title to state land whenever necessary. No additional funds were included in the budget for the department to implement the bill.

Difference From Executive: The legislature added an auditor position at \$32,000 per year of general fund for auditing oil and gas leases on state trust lands. The position was added to the executive recommendation. There was a \$2,221 increase in fiscal 1988 for the legislative audit costs over what the executive recommended.



AGENCY: DEPARTMENT OF STATE LANDS

LEGISLATIVE ACTION

PROGRAM: RECLAMATION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	Executive	Legislature	
FTE	41.00	36.00	35.00	-1.00	36.00	35.00	-1.00	36.00	35.00	-6.00
Personal Services	\$1,048,278	\$1,012,360	\$ 994,915	\$(17,445)	\$1,011,565	\$ 994,153	\$(17,412)			-5.09
Operating Expenses	2,494,883	2,146,765	2,146,765	0	2,025,226	2,025,226	0			-13.95
Equipment	34,804	49,550	49,550	0	30,000	30,000	0			42.37
Non-Operating	2,540,531	4,960,000	4,960,000	0	4,970,000	4,970,000	0			95.23
TOTAL EXPENSES	\$6,118,496	\$8,168,675	\$8,151,230	\$(17,445)	\$8,036,791	\$8,019,379	\$(17,412)			33.22
FUNDING										
General Fund	\$ 0	\$ 85,057	\$ 85,057	\$ 0	\$ 84,177	\$ 84,177	\$ 0			N/A
State Special Revenue	861,154	1,133,887	1,133,887	0	1,012,474	1,012,474	0			31.67
Federal Revenue	5,257,342	6,949,731	6,932,286	(17,445)	6,940,140	6,922,728	(17,412)			31.86
TOTAL FUNDING	\$6,118,496	\$8,168,675	\$8,151,230	\$(17,445)	\$8,036,791	\$8,019,379	\$(17,412)			33.22

**Program Description:** The Reclamation Division is responsible for the regulation of all mining-related disturbances in the state. The division administers the Montana Strip and Underground Mine Reclamation Act, Section 82-4-210, MCA; the Montana Opencut Mining Act, Section 82-4-401, MCA; the Montana Strip and Underground Mining Siting Act, Section 82-4-101, MCA; and statutes regulating hard rock mining. The division also administers the Federal Surface Mining Control and Reclamation Act.

The Reclamation Division includes the Abandoned Mine Reclamation Bureau, the Coal and Uranium Bureau, the Hardrock Mining Bureau, and the Environmental Analysis Bureau.

The Abandoned Mine Reclamation Bureau is responsible for abandoned mine reclamation, site inventory, reclamation project design, project administration, reclamation contracts, and technical assistance.

The Coal and Uranium Bureau is responsible for the Federal Surface Mining Control and Reclamation Act and the Montana Strip and Underground Mine Siting and Reclamation Acts. This bureau reviews prospecting and mining appli-

cations for coal and uranium and issues permits for both. This bureau is also responsible for reclamation of coal and uranium mining operations, including site evaluations, and bond release inspections.

The Hardrock Mining Bureau is responsible for administering the Montana Metal Mines Reclamation Act. The bureau issues mine and exploration permits, licenses and exclusions, and reviews reclamation plans. The bureau conducts mine and bond release inspections and monitors water quality.

Legislative Intent: Language included in the appropriations bill states that none of the \$100,000 appropriation of reclamation hard rock funds can be used for research.

Language included in the appropriation bill requires the department to eliminate one of the three new positions added as a modified request if the number of hard rock mining applications pending going into fiscal 1989 is less than the number of pending applications going into fiscal 1988.

Budget: This program experiences a net reduction of 6.0 FTE. The environmental assessment bureau which employed 9.0 FTE was eliminated by the department because of a lack of activity and, consequently, funding. The hard rock mining modified approved adds 3.0 FTE.

The difference in operating expenses from fiscal 1986 to the 1989 biennium includes: 1) a reduction of contracted services of \$860,700 in fiscal 1988 and \$862,900 in fiscal 1989 primarily in abandoned mine reclamation; 2) an increase in helicopter insurance of \$20,500 per year; 3) an increase in legal fees of \$27,500 in fiscal 1988 and \$7,500 in fiscal 1989 for the MONTCO/Northern Plains Resource Council contested case hearing; 4) an increase in contractual services of \$417,183 per year for contracts with the Department of Natural Resources and Conservation for environmental impact statements; 5) a \$100,000 appropriation of reclamation hard rock funds in fiscal 1988 for reclamation projects; 6) a decrease of \$9,800 per year in supplies and materials; 7) an \$8,200 per year decrease in communication; 8) a \$12,000 per year reduction in rent; and 8) a \$24,800 per year decrease in indirect costs.

The major portion of the operating expenses are for consulting services for the federally funded abandoned mine program and for environmental impact statements.

The equipment budget includes \$45,000 in fiscal 1988 for replacement of three 4 x 4 vehicles and \$30,000 in fiscal 1989 to replace two 4 x 4 vehicles. There is \$4,050 appropriated in fiscal 1988 for office and computer equipment. Non-operating expenses include \$9,930,000 of federal funds for abandoned mine reclamation. In fiscal 1986 the department expended \$2,540,531 of federal funds for abandoned mine reclamation; therefore, the \$4,960,000 authorized in fiscal 1988 represents a 95 percent increase.

Funding: There are five programs within the Reclamation Division. Funding for each of the programs is detailed in Table 2.



Table 2  
Reclamation Bureau Funding by Program

Program	General Fund	Hard Rock Fund	RIT Interest	DSL Envir Imp Statement	Federal	Total
Administration	\$ -0-	\$ -0-	\$ 58,742	\$ -0-	\$ -0-	\$ 58,742
Hard Rock	85,057	100,000	257,565	-0-	-0-	442,622
Environ & Analysis Bur	-0-	-0-	-0-	417,183	-0-	417,183
Abandoned Mine	-0-	-0-	-0-	-0-	6,263,159	6,263,159
Open Cut	-0-	-0-	133,115	-0-	-0-	133,115
Coal and Uranium	-0-	-0-	167,282	-0-	669,127	836,409
Total FY 88 Funding	<u>\$85,057</u>	<u>\$100,000</u>	<u>\$616,704</u>	<u>\$417,183</u>	<u>\$6,932,286</u>	<u>\$8,151,230</u>
Program			FISCAL 1989			
Administration	\$ -0-	\$ -0-	\$ 58,384	\$ -0-	\$ -0-	\$ 58,384
Hard Rock	84,177	-0-	256,353	-0-	-0-	340,530
Environ & Analysis Bur	-0-	-0-	-0-	417,183	-0-	417,183
Abandoned Mine	-0-	-0-	-0-	-0-	6,273,156	6,273,156
Open Cut	-0-	-0-	118,161	-0-	-0-	118,161
Coal and Uranium	-0-	-0-	162,393	-0-	649,572	811,965
Total FY 89 Funding	<u>\$84,177</u>	<u>\$-0-</u>	<u>\$595,291</u>	<u>\$417,183</u>	<u>\$6,922,728</u>	<u>\$8,019,379</u>

The Reclamation Hard Rock Fund receives its revenue from mining fees, fines, and penalties. The Department of State Lands Environmental Impact Statement fund receives its revenue from industries who propose projects which need a state environmental impact statement. The industries are charged for the cost of producing the impact statement. The federal funds come from the Interior Department for abandoned mine reclamation and regulation of coal mining.

Modifieds Approved:

1. Hard Rock Mining - Three new positions to augment the Montana Environmental Protection Act (MEPA) compliance, permit, inspection, and enforcement activities were added. The three positions are financed by \$85,057 of general fund in fiscal 1988 and \$84,177 in fiscal 1989. The positions were added because of the increased hard rock mining activities in Montana.

Difference From Executive: The executive budget recommendation included one additional clerical position. During the legislative subcommittee budget hearing, the request for the additional position was withdrawn by the agency.



AGENCY: DEPARTMENT OF STATE LANDS

LEGISLATIVE ACTION

PROGRAM: LAND ADMINISTRATION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	18.62	18.62	18.62	18.62	18.62	0.00
Personal Services	\$382,856	\$442,257	\$442,381	\$441,995	\$442,138	15.55
Operating Expenses	106,162	131,000	113,132	131,281	113,665	6.57
Equipment	56,939	11,432	16,408	11,432	11,432	-71.18
TOTAL EXPENSES	\$545,957	\$584,689	\$571,921	\$584,708	\$567,235	4.76
GENERAL FUND	\$545,957	\$584,689	\$571,921	\$584,708	\$567,235	4.76

Program Description: The Land Administration Division is responsible for appraisal, supervision, management, and development of non-forest trust lands. This division is responsible for insuring that returns on the use of trust lands are maximized without adversely affecting the land resource. Proceeds from surface and mineral resource leases are distributed to public schools and other endowment funds. The division consists of the following bureaus and section: (1) Resource Development Bureau; (2) Land Management Bureau; (3) Surface Leasing Bureau; (4) Mineral Leasing Bureau; and (5) Geology Section.

Budget: In fiscal 1986, 3.0 FTE land use specialists were added by the legislature. These new positions did not work the full year in fiscal 1986. The 15.55 percent increase in personal services in fiscal 1988 reflects the full year funding of the three land use specialists.

For fiscal 1986 the legislature appropriated \$89,132 for operating expenses. However, the department expended \$106,162. The base for operating expenses was returned to the \$89,132 per year level and \$24,000 per year for noxious weed control was added.

The budget includes funding for replacement of a 4 x 4 vehicle (\$11,432) in each of the fiscal years and purchase of a personal computer (\$4,976) in fiscal 1988.

Difference From Executive: The legislature reduced operating expenses by \$17,030 per year from the amount requested by the executive. The legislature used the fiscal 1986 appropriation as the base for the 1989 biennial budget rather than the fiscal 1986 expenditures. The executive recommendation used the fiscal 1986 expenditure amount as the basis for its recommendation. The legislature approved \$4,976 for a personal computer not requested by the executive in fiscal 1988.

AGENCY: DEPARTMENT OF STATE LANDS

LEGISLATIVE ACTION

PROGRAM: RESOURCE DEVELOPMENT PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	7.00	7.00	7.00	0.00	7.00	7.00	0.00	0.00
Personal Services	\$176,962	\$180,350	\$180,350	\$0	\$180,310	\$180,310	\$0	1.91
Operating Expenses	323,289	34,835	34,835	0	35,123	35,123	0	-89.22
Equipment	429	0	0	0	0	0	0	-100.00
Non-Operating	16,341	58,000	58,000	0	78,000	78,000	0	254.94
TOTAL EXPENSES	\$517,021	\$273,185	\$273,185	\$0	\$293,433	\$293,433	\$0	-47.16
STATE SPECIAL REVENUE	\$517,021	\$273,185	\$273,185	\$0	\$293,433	\$293,433	\$0	-47.16

Program Description: The Resource Development Division carries out land development projects to increase revenue and to improve or preserve the value of the land. This responsibility is in accordance with the policy delineated in Section 77-1-601, MCA, which states:

It is in the best interest and to great advantage of the State of Montana to seek the highest development of state-owned lands in order that they might be placed to their highest and best use and thereby derive greater revenue for the support of the common schools, the university system, and other institutions benefiting therefrom....

Budget: The reduction in operating expenses from fiscal 1986 to 1988 was caused by a \$290,023 one-time special assessment in fiscal 1986. The assessment was on state-owned land in the Billings area which the state wanted to sell. A local lawsuit required the state to pay the assessment before the land could be sold.

The budget includes funding for \$58,000 worth of capital projects in fiscal 1988 and \$78,000 in fiscal 1989. The capital projects are improvements to state-owned land which could be irrigation projects, stockwater projects, range renovations, or any other improvements.

Funding: Funding for resource development projects is from the resource development account which derives its income from trust lands. The Land Board determines the percentage of income up to 2.5 percent which can be allocated to the resource development account. For the 1989 biennium 2.5 percent is to be assessed.



AGENCY: DEPARTMENT OF STATE LANDS

LEGISLATIVE ACTION

PROGRAM: FORESTRY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	205.93	219.11	216.11	-3.00	226.26	221.26	-5.00	10.18
Personal Services	\$ 5,105,109	\$5,247,342	\$5,181,715	\$ (65,627)	\$5,373,116	\$5,251,473	\$ (121,643)	1.50
Operating Expenses	4,846,345	2,681,949	2,533,296	(148,653)	2,626,249	2,479,689	(146,560)	-47.73
Equipment	591,702	507,595	489,595	(18,000)	346,504	337,504	(9,000)	-17.26
TOTAL EXPENSES	\$10,543,156	\$8,436,886	\$8,204,606	\$ (232,280)	\$8,345,869	\$8,068,666	\$ (277,203)	-22.18
FUNDING								
General Fund	\$ 7,287,724	\$5,427,369	\$5,245,065	\$ (182,304)	\$5,390,073	\$5,154,352	\$ (235,721)	-28.03
State Special Revenue	1,758,445	1,331,975	1,245,692	(86,283)	1,337,283	1,259,453	(77,830)	-29.16
Federal Revenue	1,496,987	1,677,542	1,713,849	36,307	1,618,513	1,654,861	36,348	14.49
TOTAL FUNDING	\$10,543,156	\$8,436,886	\$8,204,606	\$ (232,280)	\$8,345,869	\$8,068,666	\$ (277,203)	-22.18

Program Description: The Forestry Division is responsible for: a) surface management on all school trust land classified as forest; b) fire suppression on all private and state land within forest fire districts and within counties as requested; and c) provision of technical advice to private landowners, loggers, and mills as it pertains to maximizing returns from the forest resource.

Legislative Intent: Boilerplate language was included which requires the central support functions of the Forestry Division to be consolidated with the department's central support functions by July 1, 1988. The department is to report to the Fifty-first Legislature on the fiscal savings of the consolidation.

Budget: The amounts shown in the column entitled "FY 1986 Actual" include a supplemental for fire suppression of \$3,284,844. The expenditures by the Forestry Division minus the fire supplemental were \$7,258,312 in fiscal 1986. The increase of 10.18 FTE in fiscal 1988 and 15.33 FTE in fiscal 1989 is detailed in Table 3. The approved modified adds 1.6 FTE.

Table 3  
Forestry FTE Increase From Fiscal 1986 to Fiscal 1988 and 1989

Increases		Fiscal 1988	Fiscal 1989
1. Reduction for Fiscal 1987 Pay Plan		(5.75)	(5.75)
2. Block II Assumption		6.20	6.20
3. Block III Assumption		2.80	9.95
4. Other 1987 Biennium Budget Modifications		5.33	5.33
5. 1989 Biennium Modification		1.60	1.60
6. Central Management Consolidation		0.00	(2.00)
FTE Change from Fiscal 1986		<u>10.18</u>	<u>15.33</u>

In fiscal 1987 the state assumed control of Block II which is the second of five blocks of land for which the state is assuming responsibility for providing fire protection from the U.S. Forest Service. Therefore, an increase of 6.20 FTE which occurred in fiscal 1987 is carried forward into the 1989 biennium. To fund the fiscal 1987 pay plan and to absorb the fiscal 1987 budget cut, the division eliminated 5.75 FTE. This reduction is carried forward into the 1989 biennium. The legislature approved the assumption of Block III for the 1989 biennium. This increased FTE by 2.80 in fiscal 1988, and 9.95 in fiscal 1989. Other 1987 budget modifications add 5.33 FTE per year and 1989 budget modifications added 1.60 FTE. The consolidation of central management functions eliminated 2.0 FTE in fiscal 1989.

Personal services increase 1.5 percent from fiscal 1986 to fiscal 1988 because the fire supplemental personal service costs are included in fiscal 1986. If the fire supplemental funds are excluded, personal services increase 13 percent between fiscal 1986 and 1988 for the new FTE and the fiscal 1987 pay plan increase. The legislature mandated that the department's support functions be consolidated, and 2.0 FTE and \$55,973 general fund were eliminated in fiscal 1989 to reflect the consolidation. Vacancy savings of 4 percent was applied to this program. Operating expenses excluding fire supplemental expenditures increase 18.9 percent from fiscal 1986 to fiscal 1988. The major changes are \$40,276 for assumption of Block III, an \$81,000 reduction in payments to the U.S. Forest Service, a \$20,000 reduction in the forest fire bureau's contracted services, a \$28,900 increase in fire supplies and materials, a \$118,566 increase for contracted brush removal from state land, a \$97,946 increase for heavy equipment rental for brush removal, a \$143,700 increase in timber stand improvement (TSI) contracted services, a \$41,200 increase for heavy equipment rental for the TSI program, a \$13,200 increase in rent, and a \$15,800 increase in repairs and maintenance.

The main difference in operating expenses between fiscal 1988 and 1989 is the \$76,200 reduction in payments to the U.S. Forest Service for fire protection and inflationary increases of \$12,000 in supplies and materials.

The budget includes \$255,000 for vehicle replacement and \$117,950 for new vehicles for Block III. The budget also includes \$134,100 for communications equipment, \$228,899 for fire suppression equipment, \$18,500 for agricultural



equipment, \$27,050 for office equipment, \$16,600 for shop equipment, and \$29,000 for computer equipment and software.

Program Changes - The following changes are included in the "budget" section but are also detailed here as specific adjustments to forestry programs.

1. Block III - The 1989 biennium budget includes \$264,520 in fiscal 1988 and \$235,656 in fiscal 1989 for the assumption of the third block for forest fire protection from the U.S. Forest Service. To equalize acreage protected by the U.S. Forest Service and the state, the department entered into a 10 year, 5 part transfer of 2,000,000 acres from U.S. Forest Service to state fire protection.

2. Brush and Timber Stand Improvement - The budget includes an increase of \$295,300 for brush removal from state land and a \$297,500 increase for timber stand improvement on state land over the amounts expended in fiscal 1986 for these programs. The increase in brush removal and TSI corresponds to the increase in timber sold from 34 million board feet (MMBF) per year to 50 MMBF and an increase in the fee which the state collects for brush removal and TSI. The fee was increased from \$8 per MBF to \$11 per thousand board feed (MBF) for each of the two programs. Even though the increased fees were in effect during the 1987 biennium, the revenues from the increased fees will be received by the state when the timber, sold at the new rate, is harvested. Therefore, because the purchaser of the timber has up to three years to harvest the trees, the increased revenues from fiscal years 1986 and 1987 sales will be obtained primarily in the 1989 biennium. In fiscal 1986 the state sold 52.5 MMBF and expects to sell an additional 50 MMBF in fiscal 1987. The majority of the timber from the fiscal 1986 and 1987 sales will be cut in the 1989 biennium, which is the justification for the increase in the TSI and brush removal programs.

3. Private Slash Removal - The legislature approved an increase in the private land slash program of \$38,300 per year. In fiscal 1986 the department was appropriated approximately \$158,000 for the slash program but expended only \$121,000. Therefore, the budget was restored to the fiscal 1986 funding level.

Funding: The forestry division's funding is detailed in Table 4.



Table 4  
Forestry Budget by Program  
1989 Biennium

Program	General Fund	FISCAL 1988 State Special	Federal & Other	Total
State Forest Management	\$1,320,251	\$ -0-	\$ -0-	\$1,320,251
Administration	1,878,057	-0-	160,199	2,038,256
Forest Fire	1,838,125	-0-	1,553,650	3,391,775
Brush Removal	-0-	494,143	-0-	494,143
Timber Stand Improvement	-0-	529,891	-0-	529,891
Nursery	109,816	161,215	-0-	271,031
Private Slash Removal	98,816	60,443	-0-	159,259
Total Fiscal 1988 Funding	\$5,245,065	\$1,245,692	\$1,713,849	\$8,204,606
FISCAL 1989				
State Forest Management	\$1,321,762	\$ -0-	\$ -0-	\$1,321,762
Administration	1,853,391	-0-	148,199	2,001,590
Forest Fire	1,783,537	-0-	1,506,662	3,290,199
Brush Removal	-0-	494,306	-0-	494,306
Timber Stand Improvement	-0-	530,105	-0-	530,105
Nursery	96,681	174,602	-0-	271,283
Private Slash Removal	98,981	60,440	-0-	159,421
Total Fiscal 1989 Funding	\$5,154,352	\$1,259,453	\$1,654,861	\$8,068,666

The brush and timber stand improvement revenues are generated from the sale of timber on state land. The price at which that the state sells the timber includes \$11 per MBF for the TSI program and \$11 per MBF for the brush removal program. These revenues are used to finance 100 percent of the TSI and brush removal programs.

The revenues for the nursery account are derived from the sale of nursery products.

The revenue for the slash account is received when the state collects \$0.24 per thousand board feet for administering the slash disposal program. The state also holds, in an escrow account, \$5.76 per MBF from timber logged off private land. The funds are returned to the logger when the land has been adequately cleaned up so as to remove fire hazards. If the land has not been properly cleaned up, the state uses the escrow account funds to eliminate the fire hazards.

The federal and other revenues are received from private land owners for fire protection assessment and from the U.S. Forest Service. Revenues from the private landowners are estimated to be \$1,146,730 in fiscal 1988 and \$1,147,893 in fiscal 1989. Federal Clark-McNary funds for fire protection total \$406,920 in fiscal 1988 and \$358,769 in fiscal 1989. The remaining \$160,199 of federal funds in fiscal 1988 and \$148,199 in fiscal 1989 are for forestry planning, land owner assistance, and other forestry programs.

Modifieds Approved:

1. Increased Nursery Production - A 0.70 FTE and operating costs are added to increase the production of seedlings for conservation plantings. The cost increase would be \$20,413 in fiscal 1988 and \$20,440 in fiscal 1989 with approximately \$8,715 for personal services and \$11,700 for operating expenses. The funding will be from the increased sales of nursery stock.

2. Conservation Reserve Program - A 0.90 FTE and operating costs are added to cover the increased requests for trees and shrubs to improve wildlife habitat on private lands through the Federal Conservation Reserve Program. The increase would be \$24,401 in fiscal 1988 and \$24,472 in fiscal 1989 with approximately \$11,200 for personal services and \$13,200 for operating expenses. Funding will come from the Department of Fish, Wildlife, and Parks which administers the Federal Conservation Reserve Program.

3. Increased Timber Sales - The budget contains funding for the continuation of the expanded timber sale, which in fiscal 1986 was financed with \$246,503 of Resource Development funds. This program is continued in the 1989 biennium with general fund of \$236,000 in fiscal 1988 and \$237,656 in fiscal 1989. This program is designed to sell 50 million board feet of timber per year.

Difference From Executive: There are nine changes which make up the differences between the executive recommendation and the final legislative action. Table 5 details these changes.

Table 5  
Differences From the Executive in the Forestry Division

Changes	Fiscal 1988				Fiscal 1989			
	FTE	General Fund	State Special	Federal Funds	FTE	General Fund	State Special	Federal Funds
1. Hazard Reduction Budget Mod	-3.00	\$ -0-	\$(86,280)	\$ -0-	-3.00	\$ -0-	\$(77,830)	\$ -0-
2. Support Functions Consolidated	-0-	-0-	-0-	-0-	-2.00	(55,973)	-0-	-0-
3. Maximizing Federal Funds	-0-	(36,307)	-0-	36,307	-0-	(36,348)	-0-	36,348
4. Reduction in USFS Payment	-0-	(81,000)	-0-	-0-	-0-	(64,400)	-0-	-0-
5. Reduction in Contracted Pilots	-0-	(10,000)	-0-	-0-	-0-	(10,000)	-0-	-0-
6. Reduction in Fuel Costs	-0-	(10,000)	-0-	-0-	-0-	(10,000)	-0-	-0-
7. Reduction in Dept Aircraft Costs	-0-	(16,000)	-0-	-0-	-0-	(16,000)	-0-	-0-
8. Reduction in Private Aircraft Costs	-0-	-0-	-0-	-0-	-0-	(20,000)	-0-	-0-
9. Reduction in Consultant Services	-0-	(29,000)	-0-	-0-	-0-	(23,000)	-0-	-0-
Total Differences	-3.00	\$(182,307)	\$(86,280)	\$36,307	-5.00	\$(235,721)	\$(77,830)	\$36,348



AGENCY: DEPARTMENT OF FISH, WILDLIFE, AND PARKS

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	493.20	495.76	498.11	2.35	496.51	498.36	1.85	4.91
Personal Services	\$12,787,731	\$13,496,633	\$13,539,272	\$ 42,639	\$13,516,887	\$13,552,386	\$ 35,499	5.83
Operating Expenses	8,216,891	8,943,897	10,292,014	1,348,117	8,904,206	9,208,546	304,340	25.25
Equipment	1,460,705	1,346,591	1,344,380	(2,211)	1,295,883	1,286,172	(9,711)	-7.96
Non-Operating	2,614,731	2,766,370	6,511,044	3,745,474	2,803,870	2,956,660	152,790	149.04
TOTAL EXPENSES	\$25,000,058	\$26,553,491	\$31,687,510	\$5,134,019	\$26,520,846	\$27,003,764	\$482,918	26.35
FUNDING								
General Fund	\$ 405,055	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
State Special Revenue	16,355,872	17,327,180	22,338,807	5,011,627	17,234,499	17,598,521	364,022	36.58
Federal Revenue	6,350,602	7,039,672	7,164,622	124,950	6,933,199	7,058,088	124,889	12.82
Proprietary Fund	1,968,529	2,186,639	2,184,081	(2,558)	2,353,148	2,347,155	(5,993)	10.95
TOTAL FUNDING	\$25,080,058	\$26,553,491	\$31,687,510	\$5,134,019	\$26,520,846	\$27,003,764	\$482,918	26.35

Program Description: The Department of Fish, Wildlife, and Parks is responsible for the preservation and protection of all forms of Montana's wildlife, their habitat, and the natural and cultural resources of aesthetic, scenic, historic, scientific, and archaeological significance.

The department consists of eight divisions: Centralized Services, Field Services, Fisheries, Law Enforcement, Wildlife, Recreation and Parks, Conservation Education, and Administration.

Department Wide Issue: A 4 percent vacancy savings factor was applied to all department programs.

Budget: The major program changes include: 1) the approval of 21 budget modifications; 2) the appropriation of \$3,600,000 for the biennium to purchase wildlife habitat; and 3) the appropriation of \$987,000 for the biennium for the pheasant enhancement program. Table 1 summarizes the budget modifications which the legislature approved.

Table 1  
Approved Budget Modifications

Program	-- Fiscal 1988 --		-- Fiscal 1989 --	
	FTE	Budget	FTE	Budget
1. Centralized Services				
A. Vehicle Fund Transfer	0.00	\$118,327	0.00	\$150,660
B. Internal Service Fund	0.00	181,811	0.00	181,811
2. Field Services Division				
A. Block Management	0.00	40,000	0.00	40,000
B. Increase Operating and Maintenance	0.00	30,959	0.00	47,795
3. Fisheries Division				
A. Missouri River Reservation	0.25	23,834	0.25	23,835
B. Expanded Fish Hatchery Operations	0.50	80,868	0.50	81,146
C. Cent Montana Fish Enhancement	1.00	33,158	1.00	31,151
D. Fish Disease Prevention	0.00	6,925	0.00	7,247
E. Coop Fish Monitoring	0.50	22,931	0.50	41,639
4. Law Enforcement division				
A. Increase Warden Support	1.00	32,294	1.00	31,684
B. Warden/Biologist	0.50	16,570	0.50	16,562
5. Wildlife Division				
A. Statewide Survey	1.05	49,500	1.05	49,513
B. Wildlife Mitigation Plan	0.50	24,502	0.50	24,503
C. Statewide Archery Survey	0.00	27,900	0.00	19,000
D. Minimize Grizzly Conflicts	1.00	44,563	1.00	44,594
E. Non-Game Program	0.00	7,000	0.00	7,000
F. Landowner/Hunter Assistance	0.50	16,230	0.50	16,276
G. Expanded Weed Control	0.00	10,000	0.00	10,000
6. Recreation and Parks Division				
A. Increased Snowmobile Program	0.00	61,000	0.00	61,000
7. Conservation Education				
A. Bear Hunter Education	0.00	7,500	0.00	7,500
B. Boater Safety	0.00	30,000	0.00	30,000
TOTAL	6.80	\$865,872	6.80	\$922,916

Funding: Table 2 details the funding of the department by program.

Table 2  
1989 Biennium Funding of the Department of Fish, Wildlife, and Parks

Fund	FISCAL 1988								Total
	Centralized Services	Field Services	Fisheries Division	Law Enforcement	Wildlife Division	Recreation and Parks	Conservation Education Administration		
State Special Funds									
Snowmobile Fuel Tax	\$ 59,463	\$ 0	\$ 0	\$ 0	\$ 0	\$ 367,727	\$ 37,343	\$ 0	\$ 464,533
Coal Tax Trust	156,773	43,238	0	32,240	0	962,417	26,278	0	1,220,946
General License	1,458,579	1,876,299	2,756,308	3,473,249	2,552,094	494,836	1,015,641	781,073	14,408,079
State Parks Miscel	64,400	0	0	56,000	0	372,147	0	0	492,547
Motor Boat Fuel Tax	107,096	0	0	82,000	0	636,085	0	0	825,181
Motor Boat Certificate	6,183	0	0	41,023	0	0	0	0	47,206
Snowmobile Registration	5,015	0	0	17,576	0	17,576	0	0	40,167
Non-Game Checkoff	0	0	0	0	34,656	0	0	0	34,656
Waterfowl Stamp	0	0	0	0	65,000	0	0	0	65,000
Mountain Sheep Auction	0	0	0	0	21,400	0	0	0	21,400
Moose Stamp	0	0	0	0	4,000	0	0	0	4,000
Pheasant Account	0	0	0	0	987,000	0	0	0	987,000
Wildlife Habitat	0	0	0	0	3,600,000	0	0	0	3,600,000
Fish Access Site Fee	0	0	0	0	0	96,250	0	0	96,250
Archery Education	0	0	0	0	0	0	29,592	0	29,592
Fine Collection	0	0	0	0	0	0	2,250	0	2,250
Federal Funds	303,235	319,267	2,200,267	154,621	3,421,873	445,000	139,525	180,834	7,164,622
Proprietary Funds	1,910,736	0	0	0	0	273,345	0	0	2,184,081
Total	\$4,071,480	\$2,238,804	\$4,956,575	\$3,856,709	\$10,686,023	\$3,665,383	\$1,250,629	\$961,907	\$31,687,510

Continued



Table 2 - Continued  
1989 Biennium Funding of the Department of Fish, Wildlife, and Parks

Fund	FISCAL 1989								Total	
	Centralized Services	Field Services	Fisheries Division	Law Enforcement	Wildlife Division	Recreation and Parks	Conservation Education Administration			
<b>State Special Funds</b>										
Snowmobile Fuel Tax	\$ 59,463	\$ 0	\$ 0	\$ 0	\$ 0	\$ 367,733	\$ 37,343	\$ 0	\$ 464,539	
Coal Tax Trust	156,773	43,238	0	32,240	0	962,418	26,278	0	1,220,947	
General License	1,468,352	1,718,999	2,782,335	3,439,885	2,498,754	480,077	1,010,421	833,905	14,232,728	
State Parks Miscel	64,400	0	0	56,000	0	372,147	0	0	492,547	
Motor Boat Fuel Tax	107,096	0	0	82,000	0	636,085	0	0	825,181	
Motor Boat Certificate	6,183	0	0	76,023	0	0	0	0	82,206	
Snowmobile Registration	5,015	0	0	17,576	0	17,576	0	0	40,167	
Non-Game Checkoff	0	0	0	0	34,656	0	0	0	34,656	
Waterfowl Stamp	0	0	0	0	65,000	0	0	0	65,000	
Mountain Sheep Auction	0	0	0	0	21,400	0	0	0	21,400	
Moose Stamp	0	0	0	0	8,000	0	0	0	8,000	
Fish Access Site Fee	0	0	0	0	0	96,250	0	0	96,250	
Archery Education	0	0	0	0	0	0	10,400	0	10,400	
Fine Collection	0	0	0	0	0	0	4,500	0	4,500	
Federal Funds	294,821	307,326	2,120,844	154,632	3,421,891	445,000	139,525	174,049	7,058,088	
Proprietary Funds	2,081,686	0	0	0	0	265,469	0	0	2,347,155	
<b>Total</b>	<b>\$4,243,789</b>	<b>\$2,069,563</b>	<b>\$4,903,179</b>	<b>\$3,858,356</b>	<b>\$6,049,701</b>	<b>\$3,642,755</b>	<b>\$1,228,467</b>	<b>\$1,007,954</b>	<b>\$27,003,764</b>	

AGENCY: DEPARTMENT OF FISH, WILDLIFE, AND PARKS

LEGISLATIVE ACTION

PROGRAM: CENTRALIZED SERVICES PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	46.52	47.83	47.28	-0.55	47.83	47.28	-0.55	0.76
Personal Services	\$ 972,225	\$1,109,777	\$1,102,021	\$ (7,756)	\$1,109,154	\$1,101,428	\$ (7,726)	13.35
Operating Expenses	1,875,762	2,229,347	2,333,506	104,159	2,236,682	2,333,572	96,890	24.40
Equipment	573,490	610,953	610,953	0	783,789	783,789	0	6.53
Non-Operating	0	25,000	25,000	0	25,000	25,000	0	N/A
TOTAL EXPENSES	\$3,421,477	\$3,975,077	\$4,071,480	\$ 96,403	\$4,154,625	\$4,243,789	\$89,164	19.00
FUNDING								
State Special Revenue	\$1,471,368	\$1,840,363	\$1,857,509	\$ 17,146	\$1,853,940	\$1,867,282	\$13,342	26.24
Federal Revenue	209,618	218,235	303,235	85,000	209,821	294,821	85,000	44.66
Proprietary Fund	1,740,491	1,916,479	1,910,736	(5,743)	2,090,864	2,081,686	(9,178)	9.78
TOTAL FUNDING	\$3,421,477	\$3,975,077	\$4,071,480	\$ 96,403	\$4,154,625	\$4,243,789	\$89,164	19.00

**Program Description:** The Centralized Services Division is an administrative and support unit with two bureaus. The Accounting and Finance Bureau is responsible for budgeting, property accounting, deposition of funds, personnel, payment of vendor invoices, payroll, and monitoring the finances of the department's vehicle fleet and warehouse operations. The License Bureau is responsible for drawings for licenses and permits for game animals and administration of hunting and fishing licenses through license dealers.

**Budget:** The personal services budget increases 13.35 percent because 5.18 FTE positions were vacant for a portion of fiscal 1986 and because House Bill 298 and Senate Bill 219 added responsibilities which required 0.45 FTE of clerical support. House Bill 298 requires an elk license before a person can enter the elk drawing and Senate Bill 219 establishes landowner preference for the elk drawings. A 0.91 FTE was added because in fiscal 1987 a federal aide coordinator position was transferred in from the administration program. The executive recommendation to reduce FTE by 0.60 to reflect the funding of the unfunded fiscal 1987 pay plan was approved.

Operating expenses increased from fiscal 1986 to 1988 due to the following factors: 1) insurance costs increased \$49,626; 2) legislative audit fees increased \$30,487; 3) gasoline costs increased \$25,695; 4) additional gas tax revenues



allowed \$24,900 more to be used for supplies and repairs; 5) appropriation of transfer authority to transfer \$85,000 per year to the general fund was approved. The \$85,000 per year is the department's share of the statewide cost allocation plan; 6) budget modifications added \$220,634 in fiscal 1988 and \$256,605 in fiscal 1989; and 7) other legislation added \$23,800 per year. The adjustments in operating expenses between fiscal 1988 and 1989 are: 1) legislative audit costs of \$48,000; 2) increases in computer access charges of \$7,800; and 3) increase in consultant services of \$6,300. The equipment budget is detailed in Table 3.

Table 3  
Centralized Services Equipment

Type of Equipment	Fiscal 1988	Fiscal 1989
Vehicles	\$525,628	\$579,047
Office	5,821	654
Aircraft	-0-	99,000
Print Shop	-0-	22,400
Equipment in Modifieds	79,504	82,688
Total	<u>\$610,953</u>	<u>\$783,789</u>

The non-operating appropriation is the legislative contract authority. During the biennium the department will receive numerous federal grants. At the time the budget was developed, it was not possible to know the purpose or the amount of the grants. The legislative contract authority is the mechanism by which the department can accept and expend the federal grants without going through the budget amendment process.

#### Modifieds Approved:

1. Vehicle Fund Transfer - A transfer of \$118,327 in fiscal 1988 and \$150,660 in fiscal 1989 from the hunting and fishing license account to the equipment revolving account was approved. This transfer will provide adequate cash to cover vehicle operating costs and equipment purchases. The Centralized Services Division is responsible for the financial management of the department's vehicles. A department program, which uses a department vehicle, is charged per mile for the use of the vehicle. The division estimates the per mile charges based on the useful life of the vehicle and the insurance, maintenance, and fuel costs. In establishing a per mile rate the federal government will reimburse the state for only the original cost of a vehicle and not what its replacement cost will be. Therefore, if a vehicle costs \$10,000 in 1982 and is to be replaced with a \$12,000 vehicle in 1988, the department needs an additional \$2,000 to replace the vehicle. This budget modification provides the additional funding for the replacement of vehicles.

2. Internal Service Fund - As stated in the vehicle fund transfer budget modification, this division is responsible for the financial management of the department's vehicles. This division purchases and maintains all vehicles, and rents them out to other department programs on a per mile basis. This budget modification was approved because as



other department budget modifications were approved they included additional travel cost, some of which involves the use of department vehicles. The additional maintenance, fuel, and replacement costs are reflected in this budget modification. As an example of the purpose of this budget modification, if the current level budget estimated that 1,000 gallons of gasoline were needed for the biennium, and approved budget modifications add a need for 100 additional gallons, then this budget modification would provide the funding for the purchase of the additional 100 gallons.

Funding: Funding for the division is from general license funds and other state special and federal revenue accounts. In addition, the print shop, warehouse, and equipment proprietary funds finance the respective services with charges to users within the agency. The legislative contract authority is financed with federal funds.

Other Legislation:

1. House Bill 136 - increases the fuel tax by 3 cents per gallon. Statutorily 0.6 percent of the fuel tax revenues are allocated to the snowmobile program and 0.9 percent to boating access site improvements. The administrative overhead cost of these programs is reflected in this program and an additional \$24,900 per year was appropriated to finance the additional costs.
2. House Bill 298 - requires an elk license before a person can enter the elk drawing and allows a hunter to kill only one grizzly bear in his lifetime. A 0.2 FTE per year is added plus \$4,200 of license funds in fiscal 1988 and \$3,600 in fiscal 1989.
3. House Bill 535 - creates nonresident deer licenses and established procedures for selling the licenses. Operating expenses were increased by \$10,000 per year to implement this bill. The additional costs were financed by license revenues.
4. Senate Bill 219 - establishes a landowner preference system for elk drawings. The department will review applications individually. A 0.25 FTE was added to the budget and \$4,700 per year in license funds to fund the added responsibility.

Difference From Executive: The legislature made the following changes to the executive budget. 1) The budget modification for the internal service proprietary fund was reduced by \$5,743 in fiscal 1988 and by \$9,178 in fiscal 1989. 2) During the subcommittee budget hearing, the department withdrew a budget modification request for the early license drawing. This resulted in a reduction of 1 FTE each fiscal year and \$14,456 in personal services in fiscal 1988 and \$14,426 in fiscal 1989. Operating expenses were reduced by \$23,606 in fiscal 1988 and by \$23,286 in fiscal 1989. These reductions were in license funds. 3) There was an increase of \$3,554 for the legislative audit in fiscal 1988. This increase was funded by license funds. 4) The legislature appropriated \$85,000 per year of transfer authority to transfer the department's share of the statewide cost allocation plan to the general fund. 5) The legislature appropriated 0.2 FTE per year, \$2,000 per year in personal services, and \$2,200 in operating expenses in fiscal 1988 and \$1,600 in fiscal 1989 to implement House Bill 298. 6) The legislature appropriated 0.25 FTE per year and \$4,700 per year in personal services to implement Senate Bill 219. 7) The legislature appropriated \$10,000 per year in operating expenses to implement House Bill 535. 8) All insurance appropriations were transferred to this program. This increased the program's budget by \$9,682 per year. 9) The computer maintenance appropriations were transferred to the Field Services Program budget. This reduced the appropriation by \$1,828 per year. 10) The passage of the 3 cent per gallon increase in the motor fuel tax increases the appropriation for supplies and repairs by \$24,900 per year.

AGENCY: DEPARTMENT OF FISH, WILDLIFE, AND PARKS

LEGISLATIVE ACTION

PROGRAM: FIELD SERVICES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	32.15	31.90	47.71	15.81	32.40	47.71	15.31	15.56
Personal Services	\$ 844,786	\$ 913,459	\$1,310,439	\$396,980	\$ 920,081	\$1,309,903	\$389,822	55.12
Operating Expenses	472,839	536,190	729,620	193,430	556,379	678,230	121,851	54.31
Equipment	41,662	146,245	146,245	0	36,430	36,430	0	251.03
Non-Operating	49,312	57,500	52,500	(5,000)	45,000	45,000	0	6.46
TOTAL EXPENSES	\$1,408,599	\$1,653,394	\$2,238,804	\$585,410	\$1,557,890	\$2,069,563	\$511,673	58.94
FUNDING								
State Special Revenue	\$1,062,169	\$1,334,127	\$1,919,537	\$585,410	\$1,250,564	\$1,762,237	\$511,673	80.72
Federal Revenue	346,430	319,267	319,267	0	307,326	307,326	0	-7.84
TOTAL FUNDING	\$1,408,599	\$1,653,394	\$2,238,804	\$585,410	\$1,557,890	\$2,069,563	\$511,673	58.94

Program Description: The Field Services Division was created under the department's reorganization, which became effective in fiscal 1984. The division was created primarily from the now defunct Ecological Services Division. The Field Services Division includes the seven regional supervisors and staff.

The Field Services Division is responsible for coordinating and supervising field activities of the seven regional headquarters, department personnel functions, game damage activities, and aircraft and private landowner relations.

Budget: The budget for the Field Services Division continues the elimination of 0.75 FTE dropped in fiscal 1987 to finance the 1987 pay plan. A department request which transferred 14.0 FTE from the Parks Division was approved. The 14.0 FTE positions are in the sign shop, land agent office, design and construction bureau, and the administration of those programs. The positions were transferred because the function provided by the 14.0 FTE were support to all department programs and not just the Parks Program. A department request to add 2.31 FTE which previously were paid under contract services was approved. This action was the result of an Internal Revenue Service audit which concluded that these people were employees.



The personal services increase of 55.12 percent was primarily caused by the transfer in of 14.0 FTE from the Parks and Recreation Division. In fiscal 1986 there was an average of 1.15 vacant positions which are fully funded in the 1989 biennium.

Operating expenses increased 54.31 percent from fiscal 1986 to 1988 and a large portion of that increase reflects: 1) the transfer in of the 14.0 FTE from the Parks and Recreation Division which adds \$117,000 per year; 2) a biennial appropriation of \$72,000 for rent of private space at Kalispell while the regional headquarters is being reconstructed; and 3) the increase for the budget modifications.

Equipment includes \$130,500 for data processing equipment, \$14,060 for office equipment, \$24,320 for scientific apparatus, plus other equipment totaling \$13,795. The non-operating expenses include \$45,000 per year of legislative contract authority and \$7,500 in fiscal 1988 to pave the Great Falls regional headquarters parking lot.

#### Modifieds Approved:

1. Block Management Program - A \$40,000 per year increase in the Block Management Program was approved. The program is funded by hunting and fishing license funds. The funds will be used to contract with individuals to supervise hunting on private land which is enrolled in the Block Management Program.

2. Increased Operations and Maintenance - The approved modified is for \$30,959 in fiscal 1988 and \$47,795 in fiscal 1989 for increased operating and maintenance costs at regional offices. This budget modification is funded by hunting and fishing license funds.

Funding: This program is funded primarily by hunting and fishing license fees and federal funds.

Difference From Executive: There were eight changes which the legislature made to the executive budget. 1) All insurance costs were transferred to Centralized Services resulting in a \$1,021 per year reduction in operating costs. 2) All computer maintenance costs were consolidated in this program resulting in no net increase department wide but did increase the Field Services budget by \$14,019 in fiscal 1988 and by \$14,419 in fiscal 1989. 3) The 14.0 FTE and related expenses transferred from the Parks Division increased the budget by \$483,181 per year. 4) People paid under contract were added as 2.31 FTE as a result of the Internal Revenue Service audit. There was no net increase in funding, as funds were transferred from operating expenses to personal services. 5) A biennial appropriation of \$72,000 was added for the rental of a facility in Kalispell while a new building is being built. The executive budget had included the rental funds request in the long-range building proposal. 6) There was a reduction of \$5,000 in capital outlay in fiscal 1988 for the remodeling of the Kalispell headquarters. The appropriation was not needed because the building was being replaced. 7) The legislature increased the funding of the block management budget modification by \$32,500 per year over the executive budget. 8) The legislature did not approve an executive budget modification for clerical support which would have increased the budget by 0.50 FTE and \$10,269 in fiscal 1988, and 1.0 FTE and \$17,456 in fiscal 1989.



AGENCY: DEPARTMENT OF FISH, WILDLIFE, AND PARKS

LEGISLATIVE ACTION

PROGRAM: FISHERIES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	99.64	100.73	100.24	-0.49	100.98	100.49	-0.49	0.60
Personal Services	\$2,433,313	\$2,676,610	\$2,670,063	\$(6,547)	\$2,684,982	\$2,678,414	\$(6,568)	9.73
Operating Expenses	1,213,018	1,168,790	1,213,062	44,272	1,138,363	1,182,595	44,232	0.00
Equipment	161,498	130,950	134,950	4,000	103,670	103,670	0	-16.44
Non-Operating	1,164,845	938,500	938,500	0	938,500	938,500	0	-19.43
TOTAL EXPENSES	\$4,972,674	\$4,914,850	\$4,956,575	\$41,725	\$4,865,515	\$4,903,179	\$37,664	-0.32
FUNDING								
State Special Revenue	\$2,847,827	\$2,754,533	\$2,756,308	\$ 1,775	\$2,784,560	\$2,782,335	\$(2,225)	-3.21
Federal Revenue	2,124,847	2,160,317	2,200,267	39,950	2,080,955	2,120,844	39,889	3.55
TOTAL FUNDING	\$4,972,674	\$4,914,850	\$4,956,575	\$41,725	\$4,865,515	\$4,903,179	\$37,664	-0.32

Program Description: The Fisheries Division is responsible for the management of Montana's fisheries resources to provide optimum sport fishing. Management strategies attempt to maintain an efficient fish culture program consistent with state needs; to preserve, restore, and improve fish habitat; to maintain optimum population of desirable fish in state waters; to provide workable fishing regulations to distribute fish equitably; to promote, where practical, commercial utilization of non-sport fish; and to provide and maintain the best possible recreational fishing.

Budget: The executive current level budget which eliminated 3.21 FTE to fund the unfunded portion of the fiscal 1987 pay plan and the transfer of a 0.90 FTE position from the Parks Division was approved. A department request to add 0.66 FTE which were formerly contractual employees (per IRS ruling) was approved. Budget modifications added 2.25 FTE.

The differences in operating expenses between fiscal 1986 and fiscal 1988 are 1) a \$14,000 reduction in consulting and professional services; 2) a \$44,000 reduction in contracted computer services; 3) a \$24,000 reduction in travel; 4) a \$7,000 reduction in utilities; 5) a \$6,000 reduction in repairs and maintenance; and 6) a \$27,672 reduction in operating expenses related to one-time Libby Dam Reservoir expenditures which were authorized in a budget amendment

in fiscal 1986. In fiscal 1989, printing costs are reduced \$42,000 from fiscal 1988 due to the one-time printing of fishing regulations and brochures. The budget modifications increased operating costs by \$122,817 in fiscal 1988 and \$132,104 in fiscal 1989.

Table 4 details the equipment approved.

Table 4  
Fisheries Division - Major Equipment Purchases

<u>Equipment</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Agriculture and Landscaping	\$ 9,300	\$ 11,550
Autos and Trucks	20,000	-0-
Household	1,450	4,400
Marine Equipment	58,650	42,300
Office	900	1,000
Shop, Plant, Industrial	4,100	4,575
Photographic	2,000	-0-
Laboratory	1,700	600
Snow Removal	-0-	800
Trailers and Campers	-0-	4,800
Field Monitoring Equipment	21,850	18,645
Other Equipment	15,000	15,000
Total Equipment	<u>\$134,950</u>	<u>\$103,670</u>

The budget includes \$920,000 per year of legislative contracting authority and \$18,500 per year for a grant to the cooperative fisheries research unit at Montana State University.

Modifieds Approved:

1. Missouri River Reservations - A 0.25 FTE with \$23,834 in fiscal 1988 and \$23,835 in fiscal 1989 was approved to continue the Missouri River water reservations process. This budget modification would compliment the 1.25 FTE in the current level budget for the water reservations in the Missouri. Funding would be \$18,000 per year federal and \$5,834 license fee funds.

2. Expanded Fish Hatchery Operations - This budget modification will fund 0.50 FTE which will be spread to four fish hatcheries. The hatcheries are at Giant Springs, Yellowstone River, Big Springs, and Miles City. The four hatcheries have increased fish production. Therefore, additional operational and maintenance support was provided. The modification will be financed by \$60,000 of federal funds per year and general license funds of \$20,868 in fiscal 1988 and \$21,146 in fiscal 1989.



3. Central Montana Fisheries Enhancement - Increased funding was approved for the fishery management program on the Missouri, Smith, and Dearborn Rivers and temporary help for central Montana farm pond and reservation management. The budget modification includes 1.00 FTE and \$25,500 in federal fund in fiscal 1988, \$24,000 in fiscal 1989, \$7,658 in license fees in fiscal 1988, and \$7,151 in fiscal 1989.

4. Fish Disease Prevention - Increased funding was approved to better monitor and control trout and salmon diseases. The funding would be \$6,925 of general license funds in fiscal 1988 and \$7,247 in fiscal 1989.

5. Co-op Fish Monitoring - A cost share program with Bonneville Power Authority, U.S. Forest Service, and other agencies to monitor and plan for development activities in the Flathead/Kootenai River Basin waters was approved. The funding source for this is general license funds of \$22,931 in fiscal 1988 and \$41,639 in fiscal 1989. A 0.50 FTE is added in each fiscal year.

Funding: Funding for the division is from general license funds and federal Dingell-Johnson funds. Dingell-Johnson funds come from a federal excise tax on fishing equipment. The Dingell-Johnson funds require a 25 percent state match.

Difference From Executive: There were five changes made to the executive budget by the legislature. 1) In the consolidation of the insurance and computer maintenance there was \$2,225 per year transferred out of this division. 2) In fiscal 1988, \$4,000 was added for the purchase of a \$20,000 truck instead of a \$16,000 truck as recommended by the executive. 3) A 0.66 FTE position was created as the result of an Internal Revenue Service audit. The funding for the part-time position was transferred from operating expenses to personal services. 4) The legislature added \$60,000 per year of federal funds for an expanded fish hatchery operation. 5) The legislature did not approve the budget modification for Fort Peck commercial fish program which would have added \$20,050 in fiscal 1988 and \$20,111 in fiscal 1989. The legislature directed the department to use existing legislative contract authority to finance the program. The legislature did not want the program built into the current level base for the 1989 biennium.



AGENCY: DEPARTMENT OF FISH, WILDLIFE, AND PARKS

LEGISLATIVE ACTION

PROGRAM: LAW ENFORCEMENT DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	87.33	90.67	88.67	-2.00		90.67	88.67	-2.00		1.34
Personal Services	\$2,873,780	\$2,835,882	\$2,786,778	\$ (49,104)		\$2,839,393	\$2,790,328	\$ (49,065)		-3.03
Operating Expenses	816,734	966,113	849,046	(115,067)		967,091	873,449	(93,642)		3.96
Equipment	81,946	89,611	82,411	(7,200)		61,789	55,789	(6,000)		0.57
Non-Operating	87,382	0	138,474	138,474		0	138,790	138,790		58.47
TOTAL EXPENSES	\$3,859,842	\$3,889,606	\$3,856,709	\$ (32,897)		\$3,868,273	\$3,858,356	\$ (9,917)		-0.08
FUNDING										
State Special Revenue	\$3,772,460	\$3,734,985	\$3,702,088	\$ (32,897)		\$3,713,641	\$3,703,724	\$ (9,917)		-1.87
Federal Revenue	87,382	154,621	154,621	0		154,632	154,632	0		76.95
TOTAL FUNDING	\$3,859,842	\$3,889,606	\$3,856,709	\$ (32,897)		\$3,868,273	\$3,858,356	\$ (9,917)		-0.08

Program Description: The Law Enforcement Division is responsible for protecting fish and wildlife and their habitat and for protecting recreation, historic, and archaeological sites from willful or negligent destruction. Management duties include administration of special purpose licenses, assisting landowners in alleviating wildlife damage, and conservation officer training.

Budget: The executive recommendation to delete 0.33 FTE to fund the fiscal 1987 pay plan was continued into the 1989 biennium. A 0.17 FTE was transferred in from the Administration Division. There were 1.5 FTE added by budget modifications. Personal services were reduced 3.03 percent from fiscal 1986 to fiscal 1988 because of the elimination of the appropriation of fines and fees for warden benefits. The 1985 legislature made the allocation of fines and fees a statutory appropriation for warden benefits. The bill containing the statutory appropriation was not coordinated with the general appropriation bill, and the fines and fees were also included in the general appropriation bill. In the 1989 biennium the fines and fees are not included in the general appropriations bill, and the statutory appropriation will take effect.

The responsibility for administering the Board of Outfitters was transferred to the Department of Commerce which reduced operating expenses by \$36,058 in fiscal 1988 and \$48,078 in fiscal 1989. The Board is to be transferred on

October 1, 1988. An additional \$35,000 was added in fiscal 1989 to implement the fee in lieu of property tax on motorboats. The legislature appropriated \$5,900 per year to implement Senate Bill 219, the landowner preference for the elk license drawing. The legislature increased travel by \$50,300 to fully fund warden travel expenses.

Table 5 details the equipment approved.

Table 5  
Law Enforcement Equipment

<u>Equipment</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Communications	\$16,000	\$16,000
Law Enforcement	22,550	11,789
Marine	16,961	15,000
Shop, Plant, and Industrial	2,000	2,000
Scientific	300	-0-
Trailers and Campers	15,000	6,000
Horses	4,000	-0-
Equipment in Approved Modifieds	5,600	5,000
Total	<u>\$82,411</u>	<u>\$55,789</u>

The non-operating is a federal grant for a boating safety program.

Modifieds Approved:

1. Increased Warden Support - One FTE was approved for increased warden support in the Billings region. The funding source is general license funds of \$32,294 in fiscal 1988 and \$31,684 in fiscal 1989.

2. Warden/Biologist - Thompson Falls - A 0.50 FTE was approved to assist the Thompson Falls biologist and game warden. The position would handle routine duties which would allow the warden to spend more time on commercial poaching issues. Funding is derived from general license funds of \$16,570 in fiscal 1988 and \$16,562 in fiscal 1989.

Funding: Funding for the division is from general license funds and other earmarked revenues, including revenue from snowmobile registration fees, the motorboat certification identification fee, and fuel tax.

Other Legislation: There were two bills which affected this program.

1. House Bill 658 - provides a fee in lieu of property tax for boats and increases the certification fee for boats from \$1.00 to \$2.00.

2. House Bill 406 - transfers Board of Outfitters to the Department of Commerce.

Difference From Executive: There were five changes made by the legislature to the executive budget. 1) In the consolidation of the insurance and computer maintenance there was \$2,739 per year transferred out of this division. 2) The executive had recommended that 2.0 FTE and \$138,474 in fiscal 1988 and \$138,790 in fiscal 1989 of federal funds be added for boating safety. The legislature did not want the federal funds built into the next biennium base; therefore, the funding was appropriated as legislative contract authority and the FTE were not included in the division's total. 3) The responsibility for administering the Board of Outfitters was transferred from the Department of Fish, Wildlife, and Parks to the Department of Commerce. Operating expenses totaling \$36,058 in fiscal 1988 and \$48,078 in fiscal 1989 were transferred to the Department of Commerce. 4) House Bill 658 provided a fee in lieu of property tax for boats and increased the certification fee for boats from \$1.00 to \$2.00. The certification increase is earmarked for enforcement activities. Therefore the operating budget was increased by \$35,000 in fiscal 1989. 5) Operating expenses of \$5,900 per year were appropriated to implement Senate Bill 219, the landowner preference for elk license drawings.



AGENCY: DEPARTMENT OF FISH, WILDLIFE, AND PARKS

LEGISLATIVE ACTION

PROGRAM: WILDLIFE PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	93.34	94.36	95.19	0.83	94.36	95.19	0.83	1.85
Personal Services	\$2,595,805	\$2,736,414	\$ 2,750,449	\$ 14,035	\$2,737,639	\$2,751,651	\$ 14,012	5.96
Operating Expenses	1,865,515	2,022,721	2,975,923	953,202	2,009,753	1,977,976	(31,777)	59.52
Equipment	247,327	161,292	162,281	989	119,715	120,704	989	-34.39
Non-Operating	699,050	1,195,370	4,797,370	3,602,000	1,195,370	1,199,370	4,000	586.27
TOTAL EXPENSES	\$5,407,697	\$6,115,797	\$10,686,023	\$4,570,226	\$6,062,477	\$6,049,701	\$(12,776)	97.61
FUNDING								
State Special Revenue	\$2,551,217	\$2,693,924	\$ 7,264,150	\$4,570,226	\$2,640,586	\$2,627,810	\$(12,776)	184.73
Federal Revenue	2,856,480	3,421,873	3,421,873	0	3,421,891	3,421,891	0	19.79
TOTAL FUNDING	\$5,407,697	\$6,115,797	\$10,686,023	\$4,570,226	\$6,062,477	\$6,049,701	\$(12,776)	97.61

Program Description: The Wildlife Division is responsible for the department's survey, inventory, and research of the state's wildlife resource and its habitat. The division operates and maintains the department's wildlife management areas in the state, which total 270,000 acres. The goal of the Wildlife Division is to protect, perpetuate, enhance, and regulate the use of the wildlife resource for public benefit.

Budget: The personal services budget reflects the elimination of 3.00 FTE to fund the fiscal 1987 pay plan. In addition, the budget includes the transfer in of 0.17 FTE from other divisions, and the creation of 1.28 FTE which were formerly paid under contract services. Modifieds approved add 3.0 FTE and legislation added 0.4 FTE. To implement Senate Bill 177 the legislature appropriated 0.4 FTE and \$15,000 each year. Senate Bill 177 revises and continues the non-game checkoff program. Operating expenses increased \$4,000 in fiscal 1988 and \$8,000 in fiscal 1989 to implement Senate Bill 109, which allows one moose permit to be auctioned and the revenues earmarked for moose management. To implement Senate Bill 331 the legislature appropriated \$987,000 for the biennium. Senate Bill 331 increases bird hunting license fees and earmarks the revenue for pheasant enhancement programs.

Specific increases in operating expenses were \$20,700 in appraisal fees, a \$21,000 per year increase for the non-game program, a \$16,000 per year increase for printing of the hunting regulations and a \$28,500 reduction in all other operating expenses as recommended by the department. There is an \$8,750 reduction in rent in fiscal 1989. Budget modifications increased operating expenses by approximately \$92,000 per year.

The major equipment is detailed in Table 6.

Table 6  
Wildlife Equipment

<u>Equipment</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Agricultural	\$ 3,000	\$ 1,250
Auto and Truck	14,000	-0-
Marine	-0-	10,000
Office	3,320	-0-
Shop, Plant and Industrial	15,000	4,850
Trailers	18,000	2,000
Scientific	5,475	7,390
Field Monitoring	61,800	61,000
General	12,118	11,114
Horses	3,000	-0-
Equipment in Approved Modifieds	26,568	23,100
Total	<u>\$162,281</u>	<u>\$120,704</u>

The non-operating line item includes \$1,195,370 per year for legislative contract authority, \$3,600,000 in fiscal 1988 for a biennial appropriation for purchase of wildlife habitat, and \$2,000 in fiscal 1988 and \$4,000 in fiscal 1989 for moose management.

Modifieds Approved:

1. Statewide Enhancement Enforcement Survey - A 1.0 FTE and operating funds were approved to upgrade the department's capabilities to curtail illegal activities, provide public information, and collect the biological data necessary to determine allowable harvest rates for elk, deer and antelope. The funding source is general license fund of \$49,500 in fiscal 1988 and \$49,513 in fiscal 1989.

2. Wildlife Mitigation Plans - A 0.50 FTE was approved to implement a wildlife mitigation plan at Hungry Horse and Libby Dams. The funding source for this project is the general license fund of \$24,502 in fiscal 1988 and \$24,503 in fiscal 1989.



3. Statewide Effects-Archery Hunting - Funding was approved to evaluate the statewide effects of archery hunting on elk. The funding source for this project is general license funds, of \$27,900 in fiscal 1988 and \$19,000 in fiscal 1989.
  4. Minimize Grizzly Conflicts - A 1.0 FTE and operating funds were approved to capture and relocate problem bears, test aversive conditioning, and keep the public informed on potential bear problems. The funding source for this project is general license funds of \$44,563 in fiscal 1988 and \$44,594 in fiscal 1989.
  5. Non-Game Program - Continuation of the non-game state income tax checkoff was approved for \$7,000 in fiscal 1988 and \$7,000 in fiscal 1989.
  6. Landowner/Hunter Assistance - A 0.50 FTE for a Biologist/Warden position in Thompson Falls was approved to help enforcement personnel in the area. The funding source is general license funds of \$16,230 in fiscal 1988 and \$16,276 in fiscal 1989.
  7. Expanded Weed Control - This modified increases the department's effort for weed control on department lands. The funding source is general license funds of \$10,000 in fiscal 1988 and \$10,000 in fiscal 1989.
- Funding: The division is funded from general license funds, federal Pittman-Robertson funds, and non-game state revenues.
- Other Legislation: There are four bills which affected this program.
1. House Bill 298 - increases license fees for wildlife habitat.
  2. Senate Bill 109 - permits one moose permit to be auctioned and earmarks the revenue for moose management.
  3. Senate Bill 177 - revises and continues the non-game checkoff program.
  4. Senate Bill 331 - increases bird hunting license fees and earmarks the revenue for pheasant enhancement programs.
- Difference From Executive: There were eleven changes between the legislature and the executive budget. 1) In the consolidation of the insurance and computer maintenance \$10,634 per year was transferred out of this division. 2) The legislature reduced \$8,000 per year which the executive had proposed be used for hunter surveys. 3) The mountain sheep program was increased \$7,900 per year. The additional appropriation was made possible because of the higher than expected revenue obtained from the auction of a mountain sheep license. 4) Payment in lieu of taxes costing \$16,000 a year was appropriated. 5) A 0.20 FTE was added to correct a technical error. Funding for a part-time position was transferred from operating to personal services. 6) A 1.28 FTE was added to comply with an Internal Revenue Service audit. The additional FTE did not increase the net budget because \$25,325 was transferred from operating expenses in fiscal 1988 and \$25,274 in fiscal 1989. 7) The legislature did not approve an executive budget modification which would have created an assistant area supervisor in the Bozeman regional headquarters. The executive had recommended 1.0 FTE and \$41,040 in fiscal 1988 and \$41,042 in fiscal 1989. 8) To implement House Bill 298 the legislature appropriated \$3,600,000 for the biennium. 9) To implement Senate Bill 109 the legislature appropriated \$4,000 in fiscal 1988 and \$8,000 in fiscal 1989. 10) To implement Senate Bill 177 the legislature appropriated 0.4 FTE and \$15,000 each year. 11) To implement Senate Bill 331 the legislature appropriated \$987,000 for the biennium.



AGENCY: DEPARTMENT OF FISH, WILDLIFE, AND PARKS

LEGISLATIVE ACTION

PROGRAM: RECREATION AND PARKS DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	100.21	95.12	83.87	-11.25		95.12	83.87	-11.25		-16.34
Personal Services	\$1,942,565	\$2,052,070	\$1,747,101	\$(304,969)		\$2,053,922	\$1,748,946	\$(304,976)		-10.06
Operating Expenses	1,192,384	1,228,646	1,295,992	67,346		1,201,266	1,284,219	82,953		8.69
Equipment	193,335	177,290	177,290	0		169,290	164,590	(4,700)		-8.30
Non-Operating	418,902	445,000	445,000	0		445,000	445,000	0		6.23
TOTAL EXPENSES	\$3,747,186	\$3,903,006	\$3,665,383	\$(237,623)		\$3,869,478	\$3,642,755	\$(226,723)		-2.18
FUNDING										
General Fund	\$ 405,055	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0	\$ 0		-100.00
State Special Revenue	2,685,607	3,187,946	2,947,038	(240,808)		3,162,194	2,932,286	(229,908)		9.73
Federal Revenue	428,486	445,000	445,000	0		445,000	445,000	0		3.85
Other Revenue	228,038	270,160	273,345	3,185		262,284	265,469	3,185		19.87
TOTAL FUNDING	\$3,747,186	\$3,903,006	\$3,665,383	\$(237,623)		\$3,869,478	\$3,642,755	\$(226,723)		-2.18

Program Description: The Recreation and Parks Division is responsible for the operation and maintenance of the state park system, including state parks, recreation areas, monuments, recreational waterways, recreational ponds, and fishing access sites. The division is also responsible for conservation of the scenic, historic, archaeological, scientific, and recreational resources of the state; the administration of the federal land and water conservation fund in Montana; the administration of snowmobile recreation in Montana, by providing maintenance and installation of snowmobile facilities; and maintenance of the capitol complex grounds.

Legislative Intent: Boilerplate language was added which prohibits the use of parks coal tax trust earnings revenues and state parks earmarked revenues for acquisition of wildlife habitat.

Budget: The budget includes: 1) the transfer of 2.25 FTE to other programs; 2) an increase of 0.36 FTE for capitol complex mapping and coal tax park operations; 3) the elimination of 3.20 FTE for the fiscal 1987 pay plan; 4) the transfer of 14.0 FTE to the Field Services Division; 5) the creation of 2.0 FTE positions for increased park maintenance; and 6) the addition of 0.75 FTE which were formerly under contract.

Operating expenses changed between fiscal 1986 and 1988 due to the following adjustments: 1) an increase in the gas tax increased authorizations for snowmobile trail improvements by \$42,000 and boat access site improvements by \$85,000; 2) transfer of 14.5 FTE to field services reduced operating expenses by \$117,000; 3) park maintenance was increased \$60,500; 4) one-time appraiser fees in fiscal 1986 were eliminated, saving \$48,300; 5) the budget modification added \$61,000 per year; and 6) an additional \$18,500 per year for payment in lieu of taxes on fishing access sites was authorized.

The equipment approved is detailed in Table 7.

Table 7  
Parks Division Equipment

<u>Equipment</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Agricultural	\$ 67,260	\$ 47,140
Communications	-0-	1,250
Construction	-0-	1,400
Office	2,030	3,700
Engineering	-0-	-0-
Other	8,000	5,800
Field Monitoring	-0-	5,300
Snowmobile	100,000	100,000
Total	<u>\$177,290</u>	<u>\$164,590</u>

Non-operating is \$445,000 per year of federal land and water conservation funds that are awarded to county governments, municipal governments, and school districts.

Modifieds Approved:

1. Increased Snowmobile Program - Funds will be distributed to snowmobile organizations to improve trail signing, and to maintain and add mileage to trails. Funding of \$61,000 in fiscal 1988 and \$61,000 in fiscal 1989 is from the snowmobile fuel tax.

Funding: Funding for the division is received from snowmobile registrations, snowmobile fuel tax, coal tax, motorboat fuel tax, state park revenue, and fishing license revenue. Capitol grounds maintenance is supported through charges to all state agencies.

Other Legislation:

House Bill 136 - increased the fuel tax by 3 cents per gallon. A portion of the increase is statutorily apportioned for snowmobile trail improvement and for boating access site improvements.

Difference From Executive: There were eight changes between the legislature and the executive budget. 1) In the consolidation of the computer maintenance there was \$3,587 in fiscal 1988 and \$3,987 in fiscal 1989 transferred out of this division. 2) The legislature transferred \$8,000 from fiscal 1988 to fiscal 1989 for snow removal. 3) The legislature transferred 14.0 FTE and \$483,181 per year from the Parks Division to the Field Services Division. The positions and responsibilities transferred are detailed in the "Budget" section. 4) Because of a change in the funding mix of the 14.0 FTE transferred out of Parks, there was \$111,645 per year of park's funding freed up which the legislature reappropriated to fund 2.0 FTE and related operating expenses for increased park maintenance. 5) The legislature appropriated an additional \$18,500 per year for payment in lieu of taxes on fishing access sites. 6) The legislature created a 0.75 FTE position to comply with an Internal Revenue Service audit. There was no net increase in the budget as \$13,230 in fiscal 1988 and \$13,223 in fiscal 1989 was transferred from operating expenses to personal services. 7) In fiscal 1989 the legislature did not approve a \$4,700 compaction meter which had been recommended by the executive. 8) House Bill 136 increased the fuel tax by 3 cents per gallon. Portions of the increase are statutorily appropriated for snowmobile trail improvement and for boating access site improvements. The additional tax revenues increased the snowmobile program by \$42,000 per year and the boating access site improvement program by \$85,000 per year.



AGENCY: DEPARTMENT OF FISH, WILDLIFE, AND PARKS

LEGISLATIVE ACTION

PROGRAM: CONSERVATION EDUCATION DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	21.50	22.05	22.05	0.00		22.05	22.05	0.00		0.55
Personal Services	\$ 627,712	\$ 670,014	\$ 670,014	\$ 0		\$ 669,323	\$ 669,323	\$ 0		6.74
Operating Expenses	464,833	521,923	553,165	31,242		523,644	537,944	14,300		19.00
Equipment	47,089	27,450	27,450	0		21,200	21,200	0		-41.71
Non-operating	40,240	0	0	0		0	0	0		-100.00
TOTAL EXPENSES	\$1,179,874	\$1,219,387	\$1,250,629	\$31,242		\$1,214,167	\$1,228,467	\$14,300		6.00
FUNDING										
State Special Revenue	\$1,064,542	\$1,079,862	\$1,111,104	\$31,242		\$1,074,642	\$1,088,942	\$14,300		4.37
Federal Revenue	115,339	139,525	139,525	0		139,525	139,525	0		20.97
TOTAL FUNDING	\$1,179,881	\$1,219,387	\$1,250,629	\$31,242		\$1,214,167	\$1,228,467	\$14,300		6.00

**Program Description:** The Conservation Education Division is responsible for the public relations functions of the department including film production and publication and distribution of the Montana Outdoors Magazine. The division informs the public about fish and wildlife laws, administrative rules, and policies that are designed to regulate outdoor recreational activities.

**Budget:** The executive recommendation to transfer in 0.20 FTE from Parks and 0.35 FTE from Administration was approved. The major adjustments in operating expenses between fiscal 1986 and 1988 are: 1) an increase of \$26,000 for hunter safety; 2) an increase in snowmobile safety education of \$5,600; 3) a \$10,000 reduction in supplies and materials; 4) increases in operating expenses by \$29,592 in fiscal 1988 and \$10,400 in fiscal 1989 due to House Bill 64, which provides for a bow hunting safety education program; 5) increases in operating expenses by \$2,250 in fiscal 1988 and \$4,580 in fiscal 1989 from House Bill 813, which created a fee in lieu of taxes on all terrain vehicles; and 6) increased operating expenses of \$37,500 per year due to budget modifications.

The equipment approved includes \$11,050 for educational equipment, \$8,300 for photographic equipment, \$10,000 for film, and \$9,300 for video equipment. The budget modifications increased equipment by \$5,000 per year.

Modifieds Approved:

1. Bear Hunter Education - The funds will be used to educate hunters on the difference between black bears and grizzly bears. Funding of \$7,500 in fiscal 1988 and \$7,500 in fiscal 1989 would come from the general license fund. These funds will be used for the printing of informational materials.
2. Boater Safety - This modified will allow the department to increase public information through the printing of informational materials for boating safety. Funding of \$30,000 in fiscal 1988 and \$30,000 in fiscal 1989 would come from federal funds.

Funding: Funding for the Conservation Education Division is from general license revenue and federal Pittman-Robertson funds.

Other Legislation: Three bills affected this program: House Bills 64, 136, and 813. The purpose of the bills is detailed in the "Difference From Executive" section.

Difference From Executive: There were five changes between the legislature and the executive recommendation. 1) In the consolidation of the computer maintenance there was \$1,200 per year transferred out of this division. 2) A budget modification for \$5,000 per year for Project WILD was not approved. The Department of Fish, Wildlife, and Parks had assumed that the Office of Public Instruction would reduce its funding by \$5,000 per year and the department wished to maintain the program at the current level funding. 3) House Bill 136 increased the fuel tax by 3 cents per gallon. A portion of the increase is statutorily appropriated for snowmobile safety education. The additional tax revenues increased the funding for the safety education program by \$5,600 per year. 4) To implement House Bill 64 the legislature appropriated \$29,592 in fiscal 1988 and \$10,000 in fiscal 1989. House Bill 64 added \$1.00 to the archery hunter stamp and requires the department to conduct an Archery Hunter Safety Program. 5) To implement House Bill 813 the legislature appropriated \$2,250 in fiscal 1988 and \$4,500 in fiscal 1989. House Bill 813 created a fee in lieu of taxes on all terrain vehicles.



AGENCY: DEPARTMENT OF FISH, WILDLIFE, AND PARKS

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATION DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	13.36	13.10	13.10	0.00	13.10	13.10	0.00	-0.26
Personal Services	\$ 497,545	\$502,407	\$502,407	\$ 0	\$502,393	\$ 502,393	\$ 0	0.98
Operating Expenses	315,806	272,167	341,700	69,533	271,028	340,561	69,533	8.20
Equipment	114,358	2,800	2,800	0	0	0	0	-97.55
Non-Operating	155,000	105,000	115,000	10,000	155,000	165,000	10,000	-25.81
TOTAL EXPENSES	\$1,082,709	\$882,374	\$961,907	\$79,533	\$928,421	\$1,007,954	\$79,533	-11.16
FUNDING								
State Special Revenue	\$ 900,682	\$701,540	\$781,073	\$79,533	\$754,372	\$ 833,905	\$79,533	-13.28
Federal Revenue	182,027	180,834	180,834	0	174,049	174,049	0	-0.66
TOTAL FUNDING	\$1,082,709	\$882,374	\$961,907	\$79,533	\$928,421	\$1,007,954	\$79,533	-11.16

**Program Description:** The Administration Division includes the Fish and Game Commission, the Director's Office, and associated staff services. The commission sets department policies and priorities and regulates the harvest of fish, game, and fur bearers through regulations establishing seasons and bag limits. The Director's Office provides executive direction for the department's overall program. Management strategies are implemented through the director, associate and deputy directors, legal unit, planning unit, and resource assessment unit.

**Legislative Intent:** Boilerplate language states that, "No funds shall be used for lawsuits between state agencies in which the Department of Fish, Wildlife, and Parks is a plaintiff, unless it has been approved in written consent by the Governor."

**Budget:** The executive personal services recommendation, which includes the transfer of 1.60 FTE to other divisions, the transfer in of 1.70 FTE from the Parks Division, and the elimination of 0.36 FTE to finance the fiscal 1987 pay plan, was approved. The major adjustments in operating expenses between fiscal 1986 and 1988 are: 1) the reduction of \$42,800 in contracted services per the department's request; 2) a \$20,000 per year appropriation for Cooney Dam;



and 3) \$50,000 per year of additional operating expenses for the purchase and planting of conservation reserve trees and shrubs as a result of Senate Bill 331.

The equipment approved was \$2,800 for office equipment in fiscal 1988 only.

The non-operating appropriation includes \$90,000 per year to the Department of Livestock for predator control which is a \$10,000 per year increase over fiscal 1986, \$25,000 per year for legislative contract authority, and \$50,000 in fiscal 1989 to the State Library for Natural Heritage Program.

Funding: Funding for the division is from general license funds and an overhead charge for administering federal funds received by the department.

Other Legislation:

House Bill 599 - appropriates \$150,000 for the biennium to the University on Montana Biological Station at Yellowstone Bay. House Bill 599 appropriates \$50,000 of Department of Fish, Wildlife, and Parks revenues and \$100,000 of general fund for the station. The \$150,000 appropriation is not included in the summary tables.

Difference From Executive: There were four changes between the legislature and the executive budget. 1) In the consolidation of the computer maintenance there was \$467 per year transferred out of this division. 2) The legislature appropriated \$20,000 per year for Cooney Dam. 3) The legislature increased the transfer to the Department of Livestock for predator control by \$10,000 per year. 4) The legislature appropriated \$50,000 per year for the purchase of trees and shrubs for the Conservation Reserve Program.

AGENCY: DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	260.79	253.42	-19.22	255.42	-19.22	-26.59
Personal Services	\$ 6,507,257	\$ 6,656,425	\$ (149,168)	\$ 6,721,272	\$ (214,047)	-3.81
Operating Expenses	2,869,914	5,884,685	(3,014,771)	3,513,405	(1,368,281)	84.48
Equipment	196,424	95,673	99,751	91,743	5,931	-49.11
Non-Operating	1,475,662	4,785,254	(3,309,592)	613,648	1,861,944	267.96
TOTAL EXPENSES	\$11,049,257	\$17,422,037	\$(6,372,780)	\$10,940,068	\$(6,481,969)	54.61
FUNDING						
General Fund	\$ 4,416,063	\$ 4,689,163	\$(273,100)	\$ 4,758,348	\$(342,285)	-13.59
State Special Revenue	5,414,932	6,344,025	(929,093)	5,010,217	1,333,808	14.08
Federal Revenue	1,218,262	6,388,849	(5,170,587)	1,171,503	4,217,346	481.98
TOTAL FUNDING	\$11,049,257	\$17,422,037	\$(6,372,780)	\$10,940,068	\$(6,481,969)	54.61

Program Description: The Department of Natural Resources and Conservation is responsible for the maintenance and enhancement of Montana's land, water, and energy resources. The department's duties include administration of water rights, permits, and records; management of state-owned water projects; dam safety; weather modification permits and licenses; international, interstate, and Indian compact negotiations and agreements; water-related studies and planning; floodplain management; and provision of technical and financial assistance for development of water and other renewable resource projects.

Supervision, assistance, funding, and coordination are provided to local conservation and grazing districts in their stewardship of the soil and water resources necessary to sustain agriculture. Activities include regulation of projects affecting streams, assistance for small watershed projects, soil survey planning, and provision of low-interest loans for rangeland improvement.

Proposed major energy generation, conversion, and transmission facilities are evaluated, and the construction and operation of approved facilities are monitored. Other activities involve petroleum fuels monitoring, special studies concerning energy supplies and demand, and emergency energy planning.



Several programs promote energy conservation, while grants and loans are provided for projects involving renewable energy sources. The production of oil and gas is regulated to prevent waste and environmental damage.

Budget: The major changes in the Department of Natural Resources and Conservation budget were: 1) 1.0 FTE loan and grants position added to Centralized Services; 2) continuation of a \$30,000 RIT grant in the Conservation District Division; 3) elimination of 19.22 FTE and \$483,212 per year from the Water Rights Bureau; 4) continuation of the Reserved Water Rights Compact Commission; 5) continuation of the Missouri River Reservation Program; 6) continuation and expansion of the Dam Safety Program; 7) reappropriation of \$1,650,000 of Rock Creek mitigation funds; 8) elimination of 8.0 FTE in the Energy Division; and 9) approval of four non-general fund budget modifications in the Energy Division.

Other Legislation:

1. House Bill 6 - appropriates \$3,740,961 of resource indemnity trust (RIT) interest earnings for 27 grant projects and \$140,000 to the Department of Natural Resources and Conservation for project administration. The resource indemnity trust was created by the legislature "to provide security against loss or damage to (the) environment from the extraction of nonrenewable natural resources" (Section 15-38-102, MCA). The trust receives the revenues from a one-half of one percent tax on the gross value of mineral production. Funding for the grant program is from the interest earnings remaining after the statutory allocations to the water development and hazardous waste programs. Grant funds are appropriated to projects which reclaim land and water resources, mitigate environmental damage, and/or monitor and assess land and water quality in areas where resource development has taken place. In addition to funding the RIT grant program, the Fiftieth legislature appropriated RIT interest earnings to the Division of Worker's Compensation for silicosis benefits, the Governor's Office for Clark Fork River projects, and the Departments of State Lands and Natural Resources and Conservation for agency operations.

The distribution of the resource indemnity trust fund earnings in fiscal years 1988 and 1989 is shown in Table 1. The revenue estimate shown in the table is taken from House Joint Resolution 41. The account shows an ending fund balance of negative \$204,792. The resource indemnity trust grant program will be funded to the extent that RIT interest earnings are available.



Table 1  
Resource Indemnity Trust Interest  
1989 Biennium

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Beginning Balance		
RIT Grant Reversions	\$ 706,671	\$ -0-
Revenue	672,313	-0-
	<u>6,375,000</u>	<u>6,722,000</u>
Total Funds Available	\$7,753,984	\$6,722,000
Expenditures		
30% Water Development	\$1,912,500	\$2,016,600
12% Hazardous Waste	765,000	806,640
Agency Operations	1,951,749	1,881,419
DWC Silicosis Benefits	565,061	545,846
Governor's Office - Clark Fork	90,000	90,000
Environmental Contingency Fund	175,000	-0-
RIT Grant Administration	70,000	70,000
RIT Grant Program	<u>2,224,674</u>	<u>1,516,287</u>
Total Appropriations	\$7,753,984	\$6,926,792
Ending Fund Balance	\$-----0-	\$ (204,792)

Two projects which received grant funding in the 1987 biennium reverted funds to the project account. The Department of Health and Environmental Sciences did not proceed with the construction of a hazardous waste collection and transfer facility in the 1987 biennium, thus reverting \$632,313. From this \$632,313 reversion, an amount of \$212,000 is appropriated to the Department of Health and Environmental Sciences for research and public education concerning the generation of hazardous waste. The Governor's Office reverted \$40,000 from its 1987 biennium grant for the Cabin Creek reference to the International Joint Commission. This \$40,000 is appropriated in the 1989 biennium to the Board of Oil and Gas Conservation to supplement the \$143,800 grant, which it received for a programmatic environmental impact statement. In the list of resource indemnity trust grant projects shown in Table 2, the appropriations to the Board of Oil and Gas Conservation for a programmatic environmental impact statement are shown as one appropriation of \$183,800.

Table 2 lists the RIT grants in priority order as they were authorized in House Bill 6.

Table 2  
Resource Indemnity Trust Grant Projects  
1989 Biennium

<u>Project Sponsor</u>	<u>Project Description</u>	<u>Appropriation</u>
Department of Health and Environmental Sciences	Research/Public Education on Hazardous Waste	\$ 212,000
Department of State Lands	Upper Blackfoot Streambank Reclamation	107,000
Department of Health and Environmental Sciences	Clark Fork Monitoring	205,590
Department of Fish, Wildlife and Parks	High Ore Creek Reclamation	198,600
Department of State Lands	Snowshoe Creek Streambank Reclamation	107,000
Board of Oil and Gas Conservation	Plug Wilkstrand Simerro Well #1	19,951
Department of Health and Environmental Sciences	Bannack State Park- Apex Mill Cleanup	101,200
Toole County	Reclamation of Oil and Gas Areas	150,000
Department of State Lands	Nellie Grant Mine Reclamation	84,900
Department of Health and Environmental Sciences	Abandoned Oil Refineries	300,000
Department of Fish, Wildlife and Parks	Catatract Creek Reclamation	21,565
Sheridan County Conservation District	Reserve Pit and Oil Field Assessment	100,000
Board of Oil and Gas Conservation	Plug Sunburst Disotell Well #1	55,000
Board of Oil and Gas Conservation	Plug Well Leaking Gas	46,330
Montana State Library	Natural Resources Information System	177,970
Montana Salinity Control Association	Montana Salinity Control Program	300,000
Butte-Silver Bow Government	Anselmo Mine Reclamation	150,000
Lower Musselshell Conservation District	Groundwater from Abandoned Mines	272,320
Board of Oil and Gas Conservation	Programmatic Environmental Impact Statement	183,800
Department of Natural Resources and Conservation	Sodium and Salinity Sources in the Powder River Basin	89,257
Department of State Lands	Drill Hole Reclamation	100,000
Department of Natural Resources and Conservation	Soil Survey Program	300,000
Governor's Office, Deer Lodge Co., Headwaters CD	Clark Fork Reclamation	130,000
Montana Bureau of Mines and Geology	Deep Aquifer Databases	155,950
University of Montana, Botany Department	Biotic Resources of Upper Clark Fork	26,638
Butte- Silver Bow Government	Urban Enhancement/Urban Forestry	100,000
Montana Bureau of Mines and Geology	Low Grade Bentonite for Shot Hole Plugging	45,890
Total Appropriation for RIT Project Grants		<u>\$3,740,961</u>

2. House Bill 777 - increases the allocation of resource indemnity trust earnings to the hazardous waste/CERCLA special revenue account in the Department of Health and Environmental Sciences from 6 percent in the 1987 biennium to



12 percent in the 1989 biennium. The increased allocation will be used to meet debt service payments on bonds issued to provide matching funds for federal superfund projects.

3. House Bill 718 - allocates 4 percent of resource indemnity trust earnings to the environmental quality protection fund beginning in the 1991 biennium. The environmental quality protection fund, which was established by the legislature in 1985, provides funds for remedial action in response to a release of hazardous waste or deleterious substances.

4. Senate Bill 373 - replaces the resource indemnity trust grant program with the Reclamation and Development Grants Program in the future and establishes the eligibility requirements and evaluation criteria for reviewing project proposals for the Fifty-first legislature. The funding for the Reclamation and Development Grant Program in the 1991 biennium will come from 46 percent of the resource indemnity trust fund earnings. The bill also allocates \$175,000 of resource indemnity trust earnings to the environmental contingency fund each biennium until the fund balance reaches \$750,000. This fund is statutorily appropriated, upon the authorization of the Governor, "to meet unanticipated public needs" in communities facing emergency water problems or when renewable resources are threatened by conditions other than natural disaster or fire. Finally, the bill allocates 8 percent of RIT earnings to the renewable resource development account beginning in fiscal 1990.

Table 3 shows the allocation of resource indemnity trust earnings that has been established by the Fiftieth legislature for the 1991 biennium.

Table 3  
Allocation of Resource Indemnity Trust Earnings  
Legislation Passed by the Fiftieth Legislature  
1991 Biennium

<u>Recipient</u>	<u>1991 Biennium</u>
Environmental Contingency Fund	
Water Development	\$175,000
Hazardous Waste/ CERCLA match funds	30%
RIT/Reclamation and Development Grants	12%
Environmental Quality Protection	46%
Renewable Resource Development	4%
	8%
Of the remainder:	

5. House Bill 7 - appropriates \$60,469,372 for water and renewable resource development grants and loans. There are four categories of projects within the water and renewable resource development program: 1) water development grants and loans; 2) coal severance tax loans; 3) renewable resource development grants; and 4) emergency grants.



## Water Development Grants and Loans Less Than \$200,000

In the 1989 biennium, the water development grant program is funded with .475 percent of the coal severance tax and 30 percent of the earnings from the resource indemnity trust fund. Other funding comes from project revenues, loan repayments, interest on bond proceeds, and 40 percent of renewable resource development funds. While House Bill 7 authorizes funding of \$848,586 for 16 prioritized water development grants, only \$350,000 is estimated to be available to fund these grants in the 1989 biennium. Up to \$125,000 of the \$350,000 may be used for emergency grants, leaving \$225,000 to fully fund the first two water development grant projects and 90 percent of the third project. The first three projects are the water resources data management system of Montana State Library, the rehabilitation of Lima Dam in Beaverhead County, and the study of the mobility of agricultural chemicals, sponsored by the Bureau of Mines and Geology. Any of the 16 prioritized projects, for which grant funds are not available, may receive a water development loan at the state bond rate.

Water development loans of less than \$200,000 are financed through the issuance of general obligation water and renewable resource development bonds. These bonds are backed by the coal tax allocations to the water development and renewable resource development programs. A total of \$4.2 million of water development general obligation bonds and \$1.1 million of renewable resource development general obligation bonds have been issued as of May, 1987. House Bill 7 authorizes the issuance of up to \$2.92 million water development loans.

## Coal Severance Tax Loans

The coal severance tax loan program provides financial assistance to public entities for water development projects and activities. The loans are issued from coal severance tax bond proceeds at interest rates at or below the state bond rate. Coal severance tax revenues back the bonds and are used to pay the subsidized portion of the loans.

House Bill 7 authorizes 21 coal severance tax loans totaling \$57,270,885. The interest subsidy for each project varies according to the repayment capacity of the water project users. The interest subsidies and the terms of the loans are listed for each coal severance tax loan in Table 4. The bond rate for newly authorized loans is projected to be 7 percent when the department issues the bonds in the summer of 1987. Therefore, water project users will be paying between 3 and 7 percent interest on these newly authorized loans. The bonds for the reauthorized loans were issued at 10.26 and 9.29 percent in 1985. This explains the higher interest subsidies given to the reauthorized loans. The total interest subsidy granted for the 21 authorized coal severance tax loans is \$2.74 million over 20 years.

The three largest coal severance tax loans are \$26 million for hydroelectricification of Broadwater Dam, \$10.2 million for improvements to the Ten Mile water system for the City of Helena, and \$5.1 million for the rehabilitation of the Middle Creek Dam in Bozeman. The Department of Natural Resources and Conservation has received a license from the Federal Energy Regulatory Commission (FERC) to develop hydropower at the state-owned Broadwater Dam on the Missouri River near Toston. In order to retain the FERC license, the Department of Natural Resources and Conservation must begin construction of the project by April 1988. The net project revenues will be deposited to the water development account and will be available for rehabilitation of other state-owned water projects.

## Renewable Resource Development Grants

The renewable resource development (RRD) program is funded from .475 percent of the coal severance tax and consists of six grant categories which receive funds as follows: Agricultural land improvements (15%), timber stand improvement (15%), water reservations (10%), water development (40%), rangeland resources (15%), and other (5%). Five projects received grants totaling \$154,800. The projection of revenues available for renewable resource development projects is \$228,400, of which 40 percent is allocated to water development projects and 15 percent to rangeland resources, leaving 45 percent, or \$102,800, for the renewable resource development grants authorized in House Bill 7.

## Emergency Grants

House Bill 7 authorizes the Department of Natural Resources and Conservation to expend up to \$125,000 from the water development state special revenue for emergency projects. If these funds are not needed for emergencies, they will be used for water development grants.

The water and renewable resource development bill which was passed by the 1985 legislature (House Bill 947, L.1985) directed the Department of Natural Resources and Conservation to recognize the needs of the "agricultural constituency when it formulates its promotion, assistance, and development programs." House Bill 947 also directed the Department of Natural Resources and Conservation and the legislature to give preferential consideration to proposals that promote the water reservation program, the development of the state water plan, and other state programs recommended by the Legislative Water Policy Committee. House Bill 154, which would have continued this preferential consideration, failed to pass the 1987 legislature. Therefore, no preference exists for the 1989 biennium for agriculture or the water reservation program.

Table 4 lists the water and renewable resource development projects which are authorized in House Bill 7. Projects are shown by funding category. The grants are listed in priority order as authorized in the bill.



**Table 4**  
**Water and Renewable Resource Development Projects**  
**1989 Biennium**

**WATER DEVELOPMENT GRANTS AND LOANS FOR LESS THAN \$200,000**

<u>Grant Recipient</u>	<u>Project</u>	<u>Grant</u>	<u>Loan</u>
Montana State Library	Montana Water Resources Data Management	\$ 97,712	\$ -0-
Private Company	Lima Dam Rehabilitation	64,000	-0-
Montana Bureau of Mines	Mobility of Agricultural Chemicals	98,500	-0-
Hill County	Lower Beaver Creek Dam Rehabilitation Study	35,000	-0-
Treasure County Conservation District	Conservation Practice Loan Program	100,000	-0-
Private Company	Edgar Canal Erosion Control	10,000	-0-
Montana State University	Plastic Irrigation Canal Lining	37,500	-0-
Flathead Conservation District	Rehabilitation of East Spring Creek	75,000	-0-
Mineral County	St. Regis Park Irrigation	35,000	-0-
Carbon County	Roberts Water System Improvement	47,500	142,500
Greenfields Irrigation District	Willow Creek Measuring Device	2,074	-0-
Private Corporation	Nilan Canal Lining	25,000	-0-
Eastern Sanders Conservation District	Little Bitterroot Recharge Enhancement	86,300	-0-
Private Non-Profit Corporation	Technical Assistance Advisor	60,000	-0-
Cascade	Water Distribution & Supply Improvement	50,000	150,000
Shelby	Water System Rehabilitation	25,000	75,000
Sun Prairie Village Water and Sewer	Wastewater Lagoon Dike Repair	-0-	162,000
Lakeside Water District	Lakeside Water Well and Main Extension	-0-	133,300
Wibaux	Water Storage and Distribution Improvements	-0-	95,000
Sage Creek County Water District	Sage Creek Water District Expansion	-0-	158,600
Yellowstone County	Hillcrest Water System	-0-	99,934
Montana State University	Red Bluff Ranch Irrigation	-0-	129,387
Box Elder Rural Improvement District	Well Development	-0-	142,000
Cascade County Rural Improvement	Water Line Replacement	-0-	167,000
Custer County	Fairgrounds Sewer System	-0-	92,380
Cut Bank/North Glacier Water and Sewer	North Cut Bank Sewer System	-0-	125,000
Glen Lake Irrigation District	Therriault Creek Siphon Construction	-0-	123,000
City of Polson	South Polson Water Collection Project	-0-	158,000
Sheridan County/Reserve Sewer District	Reserve Sewer District	-0-	117,000
<b>Total Water Development Grants and Loans</b>		<b>\$848,586</b>	<b>\$2,070,101</b>



# COAL SEVERANCE TAX LOANS - New Authorizations

<u>Grant Recipient</u>	<u>Project</u>	<u>Subsidy/Terms</u>	<u>Loan</u>
Town of Browning	Water Treatment and Transmission	5% subsidy for 5 years, at bond rate for 15 years	\$ 1,294,900
City of Harlem	Water System Improvements	2% subsidy for 5 years, at bond rate for 15 years	403,125
City of Helena	Ten Mile Water Improvements	1% subsidy for 5 years, at bond rate for 15 years	10,202,600
Town of Lima	Water System Improvements	2% subsidy for 5 years, at bond rate for 15 years	250,000
Mill Creek Water and Sewer	Gravity Sprinkler Irrigation	3% loan for 30 years	999,223
Dept. of Fish, Wildlife and Parks	Gartside Dam	No interest subsidy, 3 year loan	257,000
Town of West Yellowstone	Water System Improvement	No interest subsidy, 20 year loan	1,500,000
Dept. of Natural Resources	Middle Creek Dam Rehabilitation	No interest subsidy, 20 year loan	5,100,000
Dept. of Natural Resources	Broadwater Dam Hydroelectrification	No interest subsidy, 20 year loan	26,000,000
Total New Authorizations			\$46,006,848

## COAL SEVERANCE TAX LOANS - Reauthorized Loans

<u>Grant Recipient</u>	<u>Project</u>	<u>Subsidy/Terms</u>	<u>Loan</u>
Dutton	Water Supply Construction	4% subsidy for 5 years, at bond rate for 15 years	\$ 150,000
Bozeman	Lyman Creek Water Improvements	3% subsidy for 5 years, at bond rate for 15 years	726,079
East Helena	Water System Improvement	3% subsidy for 5 years, at bond rate for 15 years	434,434
Evergreen Water and Sewer	Wastewater Facilities	3% subsidy for 5 years, at bond rate for 15 years	3,226,900
Denton	Water Supply System	2% subsidy for 5 years, at bond rate for 15 years	185,000
East Glacier	Water System	2% subsidy for 5 years, at bond rate for 15 years	484,270
Glasgow	Water System	2% subsidy for 5 years, at bond rate for 15 years	3,200,000
Pondera Conservation District	Irrigation System Rehabilitation	2% subsidy for 5 years, at bond rate for 15 years	750,000
Hill County Water District	Rural Water Supply	2% subsidy for 5 years, at bond rate for 15 years	1,410,000
Pondera Conservation District	Lower Birch Creek Irrigation	No interest subsidy, 20 year loan	555,000
City of Belgrade	Water Well Improvements	6% loan for 20 years	115,000
Dept. of Natural Resources	Martinsdale Dam Rehabilitation	7% loan for 5 years and bond rate for 15 years	27,354
Total Reauthorizations			\$11,264,037
Total Coal Severance Tax Loans			\$57,270,885

# **RENEWABLE RESOURCE DEVELOPMENT GRANTS**

<u>Grant Recipient</u>	<u>Project</u>	<u>Grant</u>	<u>Loan</u>
Hill County Conservation District	Agricultural Land Improvement, Grass Drill Purchase	\$ 8,000	\$ -0-
Department of Natural Resources	Agricultural Land Improvement, Electronic Survey Equipment	9,300	-0-
Anacanda-Deer Lodge County	Timber Stand Improvement, Soil Stabilization and Erosion Control	63,650	-0-
Madison Conservation District	Timber Stand Improvement, Mobile Saw for Forest Land Management	23,850	-0-
Department of Natural Resources	Water Reservation Development Program	50,000	-0-
Total Renewable Resource Development Grants		\$ 154,800	\$ -0-

## **EMERGENCY GRANTS**

<u>Grant Recipient</u>	<u>Project</u>	<u>Grant</u>	<u>Loan</u>
Dept. of Natural Resources	Emergency Water Development Grants	\$ 125,000	\$ -0-
TOTAL APPROPRIATION FOR WATER AND RENEWABLE RESOURCE DEVELOPMENT PROJECTS		\$1,128,386	\$59,340,986

Tables 5 and 6 show the anticipated revenues to and expenditures from the water development and renewable resource development accounts. From the coal tax funds available for renewable resource development projects, debt service payments and agency appropriations are made. Forty percent of the remainder is allocated to water development projects. In Table 5, the \$349,735 shown as total funds available for water development projects includes \$115,364 of renewable resource development funds.

Table 5  
Water Development Account  
1989 Biennium

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Beginning Balance	\$ -0-	\$(362,913)
Revenues		
Coal Tax Water Development	\$ 282,918	\$ 296,133
30% RIT Interest Earnings	1,912,500	2,016,600
Loan Repayments	365,000	365,000
Project Revenues	220,000	220,000
Interest on Bond Proceeds	50,000	50,000
Administrative Fees	25,000	25,000
Total Revenues	<u>\$2,855,418</u>	<u>\$2,972,733</u>
Total Funds Available	\$2,855,418	\$2,609,820
Expenditures		
Debt Service	\$ 566,111	\$ 607,796
Water Courts	469,581	469,664
DNRC - Centralized Services	116,889	116,868
- Water Resource Division	1,190,750	1,181,121
- State-owned Water Projects	800,000	-0-
Water Policy Committee	75,000	-0-
Total Expenditures	<u>\$3,218,331</u>	<u>\$2,375,449</u>
Funds Available for		
Water Development Grants		\$ 234,371
Plus 40 Percent of RRD Funds		115,364
Total		<u>\$ 349,735</u>



Table 6  
Renewable Resource Development Account  
1989 Biennium

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Beginning Balance	\$ -0-	\$135,907
Revenues		
Coal Tax Renewable Resource Development	\$282,918	\$296,133
Interest on Bond Proceeds	36,000	36,000
Loan Repayments	<u>79,110</u>	<u>79,110</u>
Total Revenues	<u>\$398,028</u>	<u>\$411,243</u>
Total Funds Available	<u>\$398,028</u>	<u>\$547,150</u>
Expenditures		
Debt Service	\$122,937	\$119,575
DNRC - Centralized Services	8,584	8,565
- Water Resources Division	65,000	65,000
- Conservation Districts	<u>65,600</u>	<u>65,600</u>
Total Expenditures	\$262,121	\$258,740
Funds Available for RRD Projects		<u>\$288,410</u>
<u>Statutory Allocation of 1989 Biennium Revenues</u>		
Timber Stand Improvement	15%	\$ 43,261
Water Development Projects	40%	115,364
Conservation Districts	10%	28,841
Montana Rangeland Resource Act	15%	43,261
Agricultural Land Improvements	15%	43,261
DNRC Designated Projects	5%	<u>14,420</u>
Total		<u>\$288,410</u>

## PROGRAM: CENTRALIZED SERVICES

-456-

**Funding:** Since the centralized services division provides support services to the entire department, a funding formula was used to determine the level at which the various revenue sources would support the division. For all of the funding sources other than general fund, resource indemnity trust interest, and the water development fund, the revenue sources were used to the extent the funds were available in fiscal 1988. Resource indemnity trust interest, water development funds, and oil overcharge funds were used to finance the division as detailed in Table 7. General fund made up the remaining portion of the funding. Table 7 details the funding of the division and how the funding differs from the executive recommendation.

Table 7  
Centralized Services Funding

Funding	Fiscal 1988 Legislative Budget	Fiscal 1988 Executive Budget	Difference	Fiscal 1989 Legislative Budget	Fiscal 1989 Executive Budget	Difference
Rangeland	\$ 13,014	\$ 13,014	\$ -0-	\$ 13,010	\$ 13,010	\$ -0-
Major Facility Siting	20,000	20,000	-0-	20,000	20,000	-0-
Water Rights	3,750	3,750	-0-	3,750	3,750	-0-
Grazing Fees	500	500	-0-	500	500	-0-
Conservation District	11,257	11,257	-0-	11,254	11,254	-0-
Alternative Energy	26,161	43,418	(17,257)	26,085	42,193	(16,108)
Oil and Gas	70,000	41,736	28,264	70,000	42,508	27,492
Renewable Resource Dev.	8,584	8,584	-0-	8,565	8,565	-0-
Federal Indirect	142,257	130,257	12,000	142,254	105,254	37,000
Water Development	116,889	116,889	-0-	116,868	116,868	-0-
RIT Interest	80,704	2,054	78,650	80,685	2,035	78,650
Oil Overcharge	73,636	-0-	73,636	88,789	-0-	88,789
General Fund	1,012,620	1,185,780	(173,160)	1,013,227	1,229,050	(215,823)
Total Funding	\$1,579,372	\$1,577,239	\$ 2,133	\$1,594,987	\$1,594,987	\$ -0-

**Difference From Executive:** The legislature increased the appropriation for the legislative audit by \$2,133. The funding for the Centralized Services Division is detailed on Table 7.

**Modifieds Approved:**

1. Loans and Grants Position - A 1.0 FTE and \$24,786 in fiscal 1988 and \$24,550 in fiscal 1989 were approved to handle: 1) all accounting functions in relation to water development bond sales; and 2) regular audits of all department loans and grants. The funding for the position would be from a variety of non-general fund sources.



AGENCY: DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

LEGISLATIVE ACTION

PROGRAM: OIL AND GAS CONSERVATION DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	24.00	22.00	0.00	22.00	0.00	-2.00
Personal Services	\$574,512	\$568,073	\$ 0	\$567,822	\$ 0	-1.12
Operating Expenses	208,105	236,801	5,000	231,175	(15,000)	16.19
Equipment	33,917	10,434	0	31,992	0	-69.24
Non-Operating	1,954	3,170	0	2,905	0	62.23
TOTAL EXPENSES	\$818,488	\$823,478	\$5,000	\$818,894	\$(15,000)	0.61
STATE SPECIAL REVENUE	\$818,488	\$818,478	\$5,000	\$818,894	\$(15,000)	0.61

Program Description: The Oil and Gas Conservation Division is responsible for preventing waste and providing for the conservation of crude oil and natural gas through regulation of exploration and production activities, including issuance of drilling permits, classification of wells, establishment of well spacing units and pooling orders, inspection of drilling, production and seismic operations, investigation of complaints, engineering studies, and collection and maintenance of complete well data and production information.

Budget: Two inspector FTE, eliminated in fiscal 1987 as part of the division's 5 percent reductions, were not restored in the 1989 biennium. The budget includes a biennial appropriation of \$5,000 for possible Montana Environmental Protection Act litigation. The funds would be used by the division to employ private legal counsel. The budget includes a \$20,000 biennial appropriation for microfilming of the division's records. Equipment includes funds to replace two 4-wheel drive vehicles in fiscal 1989. The budget includes \$10,000 per year of RIT interest for the plugging of abandoned oil and gas wells.

Funding: This division is financed by the oil and gas conservation tax and user fees. The only exception to this is the \$10,000 per year of RIT interest for the plugging of abandoned wells.

Difference From Executive: The legislature appropriated \$20,000 in the 1989 biennium for microfilming rather than the \$15,000 per year recommended in the executive budget.

AGENCY: DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

LEGISLATIVE ACTION

PROGRAM: CONSERVATION DISTRICTS DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	5.20	5.20	5.20	0.00	5.20	5.20	0.00	0.00
Personal Services	\$138,316	\$ 140,660	\$146,520	\$ 5,860	\$140,619	\$146,353	\$5,734	5.93
Operating Expenses	115,533	616,065	118,065	(498,000)	116,777	118,777	2,000	2.19
Equipment	1,080	200	200	0	1,156	1,156	0	-81.48
Non-Operating	395,575	386,250	416,250	30,000	386,250	386,250	0	5.23
TOTAL EXPENSES	\$650,504	\$1,143,175	\$681,035	\$(462,140)	\$644,802	\$652,536	\$7,734	4.69
FUNDING								
General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	N/A
State Special Revenue	648,362	1,140,472	678,332	(462,140)	642,099	649,833	7,734	4.62
Federal Revenue	2,142	2,703	2,703	0	2,703	2,703	0	26.19
TOTAL FUNDING	\$650,504	\$1,143,175	\$681,035	\$(462,140)	\$644,802	\$652,536	\$7,734	4.69

Program Description: The Conservation Districts Division provides supervision, assistance, and coordination to the 59 conservation districts in the state. The primary responsibility of the division is to work with the local district towards developing and implementing plans for proper management of land and water resources. Three advisory committees: the Resource Conservation Advisory Committee, the Soil Survey Advisory Committee, and the Rangeland Resources Committee, are administratively attached to the conservation district supervisor's office.

Legislative Intent: The division administers a low interest rangeland improvement loan program. To date 52 loans have been made improving over 300,000 acres. The loan program was continued and boilerplate language which will allow the division to loan up to \$500,000 during the biennium was approved.

Boilerplate language allows the conservation district division to distribute additional funds that may revert from unexpended grants.



Budget: No vacancy savings was applied to this program. This added \$11,594 to the biennium budget. The budget includes \$900 in fiscal 1989 for application fees for resource indemnity trust grants. The budget includes \$956 for a new typewriter for the Miles City Office and \$2,000 per year for the travel per diem expense of the Rangeland Resources Committee. The budget was increased by \$30,000 for the biennium to allow the division to expend a 1987 biennium RIT grant. The grant will be used for reclamation of streambank damaged by placer mining. The budget includes \$220,000 each fiscal year for conservation district grants. The budget has \$71,250 per year for continuation of the saline seep project. Table 8 details the 1989 biennium budget for the division by funding source.

Table 8  
Funding for the Conservation District Division  
1989 Biennium

<u>Program</u>	<u>Funding Source</u>	<u>FY 88</u>	<u>FY 89</u>
Administration	RIT Int, RRD, Fed. & Graz. Cons.	\$201,285	\$202,786
Watershed Planning	Renewable Resource Development	63,500	63,500
Conservation District Subsidy	RIT Interest	95,000	95,000
Saline Seep	RIT Interest	71,250	71,250
RIT Grant	RIT Interest	30,000	-0-
Conservation District Grants	Coal Tax	220,000	220,000
Total		<u>\$681,035</u>	<u>\$652,536</u>

Included in the current level is \$63,500 for contracts with local conservation districts for watershed planning. As in previous fiscal years, this contract has been funded with renewable resources development funds. The additional \$2,100 of RRD funds are used for administration.

Funding: The budget includes \$710,965 of RIT interest, which replaces general fund for the biennium, to administer the division, to finance the conservation district subsidy, and for the saline seep grants. The division also is financed by \$6,000 per year from grazing district fees. Conservation district projects receive .19 percent of the coal severance tax. Ten percent of renewable resources development funds are allocated to conservation districts for development of water reservations. For fiscal 1988 and fiscal 1989 the appropriation from the renewable resource development fund is \$65,600 per year.

Difference From Executive: There are five changes which the legislature made to the executive budget recommendation. 1) The legislature did not apply a 4 percent vacancy savings factor to this program. This action increased the budget by \$5,860 in fiscal 1988 and by \$5,734 in fiscal 1989. 2) The legislature did not appropriate



\$500,000 for the biennium for rangeland improvement loans as recommended by the executive. Boilerplate language in House Bill 2 permits the department to make up to \$500,000 in rangeland loans during the 1989 biennium. 3) The legislature appropriated \$2,000 per year for travel per diem expenses of the Rangeland Resource Committee. 4) The legislature appropriated \$30,000 for the biennium to permit the division to expend a 1987 biennium grant from RIT interest. 5) Boilerplate language was added to allow the division to distribute additional grant funds that may be received by reversion of unexpended grant funds.

AGENCY: DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

LEGISLATIVE ACTION

PROGRAM: WATER RESOURCES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	148.09	146.22	127.00	-19.22	147.22	128.00	-19.22	-21.09
Personal Services	\$3,545,540	\$3,740,306	\$3,337,388	\$(402,918)	\$3,763,920	\$3,361,002	\$(402,918)	-5.87
Operating Expenses	1,367,874	1,304,262	1,189,283	(114,979)	1,271,869	1,151,622	(120,247)	-13.06
Equipment	103,616	73,160	77,442	4,282	46,315	47,492	1,177	-25.26
Non-Operating	66,652	4,306,434	4,921,084	614,650	65,893	81,543	15,650	7283.25
TOTAL EXPENSES	\$5,083,682	\$9,424,162	\$9,525,197	\$ 101,035	\$5,147,997	\$4,641,659	\$(506,338)	87.37
FUNDING								
General Fund	\$2,900,726	\$3,031,231	\$2,365,163	\$(666,068)	\$3,044,180	\$2,381,653	\$(662,527)	-18.46
State Special Revenue	2,148,525	2,883,361	3,050,359	166,998	2,034,142	2,190,331	156,189	41.97
Federal Revenue	34,431	3,509,570	4,109,675	600,105	69,675	69,675	0	11835.97
TOTAL FUNDING	\$5,083,682	\$9,424,162	\$9,525,197	\$ 101,035	\$5,147,997	\$4,641,659	\$(506,338)	87.37

Program Description: The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. These programs include the following:

**Floodplain Management Program**--responsible for determining the floodways and one hundred-year floodplain boundaries for every watercourse and drainway in the state. Concurrent with this primary function is the management and regulation of flood-prone lands to prevent or alleviate flood threats to life and property.

**Water Rights Program**--responsible for carrying out Article IX of the Montana Constitution and the Montana Water Use Act, which provides that any use of the state's waters is a public use, and that waters in the state are the property of the state, for the use of the people, and are subject to appropriations for beneficial use.

**Water Adjudication Program**--responsible for the protection and confirmation of all rights to the use of any waters for any useful or beneficial purpose that existed prior to the effective date of the Montana Water Use Act of July 1, 1973.

**Water Engineering**--responsible for providing engineering assistance to state water user associations, and promoting safety and economic stability of state-owned water projects through professional engineering services.

**Water Management Program**--responsible for providing technical information and assistance on hydrology, geohydrology, geology, and soils to water users and units of government, and for the collection, compilation, and analysis of water and related land resources data, projection of future water requirements, and formulation of plans, alternatives, and methods of implementation to enable full utilization of these resources within the state.

**Water Development Program**--responsible for administration of the state's Water Development and Renewable Resource Development Programs to allow full economic and social benefits from the state's water and other renewable resources.

**Legislative Intent:** The legislature included two sections of boilerplate relative this division in House Bill 2. First, language in House Bill 2 restricts expenditures to not more than \$584,788 per year for the adjudication of pre-July 1, 1978 water rights. Second, boilerplate language permits the department to request budget amendments if House Bills 642 and 832 were enacted.

**Budget:** The budget excludes 21.09 positions present in fiscal 1986. Below are listed the five adjustments, which total the 21.09 reduction in FTE.

- 1) Two of 3.0 FTE authorized to administer the Resource Indemnity Trust Grant Program were eliminated. One of the positions is currently filled but two of the positions were never filled. For the 1989 biennium the one filled position is funded with \$50,000 RIT interest. The legislature had originally authorized \$277,000 to administer the grant program. During Special Session III, this amount was reduced to \$108,000.
- 2) The Dam Safety Inspection Program was continued into the 1989 biennium and increased by 2.5 FTE in fiscal 1988 and by 3.5 FTE in fiscal 1989 over the fiscal 1986 level.
- 3) One attorney was transferred to Centralized Services to consolidate the legal staff into one unit.
- 4) Continuation of the fiscal 1987, 5 percent reductions eliminated 1.37 FTE, including a 0.12 FTE administrative aide, a 0.25 typist, and a 1.0 programmer analyst.
- 5) The water adjudication program was reduced by \$483,212 for each year of the biennium. This program is one of the components of the water rights bureau. The annual budget for the water adjudication program was approximately \$1,068,000 per year before the reduction. The department indicated that the \$483,212 reduction would eliminate 19.22 FTE positions for a savings in personal services of \$402,918 and \$80,294 in operating expenses.

Table 9 summarizes the budget for the water rights bureau as recommended by the executive compared to the budget as approved by the legislature.



Table 9  
Water Rights Bureau  
1989 Biennium Budget

Water Rights Bureau	Fiscal 1988		Fiscal 1989		Difference
	Executive	Legislature	Executive	Legislature	
New Water Right FTE	47.00	47.00	47.00	47.00	0.00
New Water Right Funding	\$1,382,673	\$1,382,673	\$1,382,673	\$1,382,673	\$ -0-
Water Adjudication FTE	38.22	19.00	38.22	19.00	(19.22)
Water Adjudication Funding	\$1,068,000	\$ 584,788	\$1,068,000	\$ 584,788	\$(483,212)

One major difference in operating expenses between fiscal 1986 and fiscal 1988 is that fiscal 1986 expenses included \$378,820 for state water projects. In fiscal 1988 the appropriation for state water projects is listed under the non-operating category. Other minor adjustments in operating expenses added approximately \$11,500 per year. Budget modifications added \$267,916 in fiscal 1988 and \$232,341 in fiscal 1989 to operating expenses. The equipment in the 1989 biennium budget includes a replacement of a truck and two other department vehicles at \$60,000, office equipment of \$4,100, engineering equipment of \$38,800, computer equipment of \$10,100, and \$11,934 for other equipment.

The non-operating line item includes the following state water projects: Middle Creek Dam rehabilitation for \$500,000; North Fork of the Smith River Dam rehabilitation feasibility study for \$275,000; and Petrolia Dam Emergency Warning and Evacuation Plan for \$25,000. However, even though 100 percent of the non-operating line is earmarked for specific projects or bond payments and transfers, up to \$100,000 of the \$800,000 appropriated may be used for unanticipated project repairs. The non-operating line item also includes \$15,650 per year of general fund for monitoring the water quality and quantity of the Poplar River, \$4,040,000 of federal funds for the Middle Creek Dam project, \$28,300 annual transfer appropriation for water conservation bond payments, and \$37,100 annually for debt service repayments.

Funding: Table 10 details the funding of the Water Resources Division by bureau.

Table 10

Fiscal 1988										Fiscal 1989									
Bureau	General Fund	Water Wells Account	Water Development	RRT	Water Rights Appropriation	Federal Funds	Total	Bureau	General Fund	Water Wells Account	Water Development	RRT	Water Rights Appropriation	Federal Funds	Total				
Administration	\$ -0-	\$ -0-	\$ 175,312	\$ -0-	\$ 94,688	\$ -0-	\$ 270,000	Administration	\$ -0-	\$ -0-	\$ 174,273	\$ -0-	\$ -0-	\$ -0-	\$ 270,000				
Water Wells	10,000	30,000	-0-	-0-	-0-	-0-	40,000	Water Wells	10,000	30,000	-0-	-0-	-0-	-0-	40,000				
Water Rights	1,967,471	-0-	-0-	-0-	75,000	-0-	2,042,471	Water Rights	1,967,471	-0-	-0-	-0-	75,000	-0-	2,042,471				
Water Management	257,158	-0-	-0-	-0-	-0-	-0-	599,726	Water Management	273,792	-0-	-0-	-0-	-0-	-0-	587,726				
Water Development	-0-	-0-	335,438	65,000	-0-	-0-	400,438	Water Development	-0-	-0-	335,438	-0-	-0-	-0-	400,438				
Engineering	-0-	-0-	1,480,000	-0-	-0-	-0-	5,589,675	Engineering	-0-	-0-	671,410	-0-	-0-	69,675	741,085				
Res. Water Rights								Res. Water Rights											
Comp. Comm.	114,884	-0-	-0-	114,883	-0-	-0-	229,767	Comp. Comm.	114,740	-0-	-0-	114,739	-0-	-0-	229,479				
Missouri River Res.	-0-	-0-	-0-	174,407	-0-	-0-	174,407	Missouri River Res.	-0-	-0-	-0-	174,358	-0-	-0-	174,358				
Dam Safety	-0-	-0-	-0-	127,563	-0-	-0-	127,563	Dam Safety	-0-	-0-	-0-	-0-	-0-	-0-	15,650				
Poplar River	15,650	-0-	-0-	-0-	-0-	-0-	15,650	Poplar River	15,650	-0-	-0-	-0-	-0-	-0-	15,650				
Powder River	-0-	-0-	-0-	35,500	-0-	-0-	35,500	Dam Safety	-0-	-0-	-0-	140,452	-0-	-0-	140,452				
Total	\$2,365,163	\$30,000	\$1,990,750	\$889,609	\$75,000	\$4,109,675	\$9,525,197	Total	\$2,381,653	\$30,000	\$1,181,121	\$839,210	\$75,000	\$ 69,675	\$4,641,659				



Difference From Executive: There were twelve changes which the legislature made to the executive recommendation:

- 1) The legislature eliminated 19.22 FTE and \$483,212 of general fund per year from the Water Rights Bureau. The reduction was in the adjudication of pre-July 1, 1973 water rights. 2) In conjunction with the water rights reduction, the legislature added boilerplate language which limited the funds available for the adjudication of pre-July 1, 1973 water rights to \$584,788 per year. 3) The legislature increased the amount appropriated for state water projects. The increase was \$599,000 for the biennium of federal funds. 4) The legislature reduced cooperative water testing with the U.S. Geological Service by \$13,300 per year. 5) The legislature did not appropriate \$9,300 to contract with private attorneys for contested floodplain cases. 6) The legislature did not appropriate \$4,462 for legal costs of the Board of Well Contractors. 7) The legislature reduced travel in fiscal 1988 and by \$6,495 in fiscal 1989. 8) The legislature appropriated \$4,282 in additional equipment and quantity in the Popular River. 9) The legislature appropriated \$15,650 for monitoring the water quality and quantity in the Popular River. 10) The legislature did not appropriate \$2,800 per year for septic tank repair. 11) The legislature eliminated the general fund support for the engineering bureau which reduced general fund by approximately \$320,000 for the biennium and increases the use of water development fund by a like amount. 12) The legislature added boilerplate language which said that if House Bills 642 and 831 were enacted the emergency provisions of the budget amendment statute were met, and the department could request a budget amendment to implement those two pieces of legislation.

#### Modifieds Approved:

1. Reserved Water Rights Compact Commission: The funding of the Reserved Water Rights Compact Commission was continued. The program is funded one half with general fund and one half with RIT interest. The budget for fiscal 1988 is \$229,767 and \$229,479 for fiscal 1989. There were 6.0 FTE added for the biennium by this modification.
2. Missouri River Reservations Program: The modified was approved for 1.0 FTE and \$174,407 of RIT interest in fiscal 1988 and \$174,358 in fiscal 1989. The program would continue the comprehensive basin-wide water reservation process on the portion of the Missouri River from Canyon Ferry to Fort Peck.
3. Dam Safety: This modification funds the costs of assuring the safety of high hazard dams, reviewing permits and conducting inspections. Three FTE in fiscal 1988, and 1.0 additional FTE in fiscal 1989 for a total of 4.0 FTE were added. This modified is funded by \$127,563 of RIT interest in fiscal 1988 and \$140,452 in fiscal 1989.
4. Powder River Negotiations: This modification would provide funding for continued negotiations with Wyoming relative to Powder River water quality. This modified is funded by \$35,500 of RIT interest for a biennial appropriation.



AGENCY: DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

LEGISLATIVE ACTION

PROGRAM: ENERGY DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	41.00	39.00	39.00	0.00	39.00	39.00	0.00	-2.00
Personal Services	\$1,125,496	\$1,073,527	\$1,073,527	\$ 0	\$1,070,032	\$1,070,032	\$ 0	-4.62
Operating Expenses	711,814	3,288,152	3,303,652	15,500	1,479,751	1,479,751	0	364.12
Equipment	22,336	7,904	7,904	0	10,005	10,005	0	-64.61
Non-Operating	1,011,481	89,400	89,400	0	158,600	158,600	0	-91.16
TOTAL EXPENSES	\$2,871,127	\$4,459,983	\$4,474,483	\$ 15,500	\$2,718,388	\$2,718,388	\$ 0	55.84
FUNDING								
General Fund	\$ 397,435	\$ 472,152	\$ 438,152	\$(34,000)	\$ 485,118	\$ 451,118	\$134,000	10.24
State Special Revenue	1,461,713	1,240,512	1,274,512	34,000	1,239,399	1,273,399	34,000	-12.81
Federal Revenue	1,011,979	2,746,319	2,761,819	15,500	993,871	993,871	0	172.91
TOTAL FUNDING	\$2,871,127	\$4,458,983	\$4,474,483	\$ 15,500	\$2,718,388	\$2,718,388	\$ 0	55.84

**Program Description:** The Energy Division is responsible for the administration of the Montana Major Facility Siting Act, the Alternative Energy Grant and Loan Program, the State Building Energy Program, the Energy Emergency Powers Act, federally sponsored energy conservation programs, and various Northwest Regional activities.

The Major Facility Siting Act is enforced to insure that the location, construction, and operation of transmission, generation, and conservation facilities produce minimal adverse impacts on the people and the environment.

The Alternative Energy Grant and Loan Program awards grants and loans to individuals and organizations for projects that research, develop, demonstrate, or communicate the use of renewable energy sources such as solar, wind, geothermal, water, and biomass.

The State Building Energy Program awards grants to state governmental units for energy conservation measures.

The division monitors energy supply and demand on an on-going basis to alert the Governor to potential problems and to be able to effectively target state emergency response actions in administering the Energy Emergency Powers Act.

Language: Boilerplate language authorizes the department to expend up to \$50,000 if additional funds are made available from the Bonneville Power Administration and up to \$40,000 if funds are made available from the Montana Power Company for technical studies. Language which allocated the proceeds from the coal severance tax to the Office of Science and Technology, and all other alternative energy revenues to the Energy Division was also approved.

Budget: The budget includes the reduction in positions eliminated in the 1987 biennium, which are listed below.

1. One secretarial position and one coal analyst were eliminated in the 5 percent cuts made in fiscal 1987.
2. Two positions in the Renewable Energy Program were eliminated when the program was directed solely to retrofit of public buildings for energy savings.
3. Two positions in the State Building Energy Program were eliminated with the transfer of coal severance tax revenue.
4. Three positions within the Residential Standards Demonstration Program were eliminated because they were part of a 1987 biennium modification that was presented to the legislature as a two-year program.
5. Budget modifications added 7.0 FTE for the 1989 biennium.

The major difference in operating expenses between fiscal 1986 and fiscal 1988 are: 1) the biennial reappropriation of \$1,650,000 of the Rock Creek mitigation funds; 2) the biennial reappropriation of \$40,000 of Lake Broadview mitigation funds; 3) reductions totaling \$124,000 in consulting services, printing, and legal fees; 4) a reduction of \$34,000 in facility siting operations; 5) the appropriation for environmental impact statements of \$963,372; 6) a reduction of \$12,700 in other adjustments; and 7) budget modifications increasing operating expenses by \$109,167 in fiscal 1988 and by \$59,796 in fiscal 1989.

In fiscal 1989 there is an additional reduction of \$60,500 in consultant services and a \$42,900 reduction in printing costs. The appropriations for Rock Creek and Lake Broadview do not appear in fiscal 1989.

The non-operating expenses include \$10,000 in fiscal 1988 for the institutional building program. This program is financed by Warner Amendment Oil overcharge funds. The non-operating also includes \$20,000 per year for the biomass utilization and cogeneration program. The Residential Construction Demonstration Program budget modification includes \$59,400 in fiscal 1988 and \$138,600 in fiscal 1989 for grants.

Funding: There are four bureaus within the energy division. Table 11 details the funding of the bureaus.



Table 11  
Energy Division

Fiscal 1988	General Fund	Facility Siting Fees	Alternative Energy	Federal	Other Funds	Total
Administration	\$117,851	\$ -0-	\$ -0-	\$ 15,000	\$ -0-	\$ 132,851
Facility Siting	132,949	1,021,062	-0-	-0-	1,700,000	2,854,011
Energy Planning	187,352	-0-	-0-	-0-	-0-	187,352
Conservation and Renewable Energy	-0-	-0-	253,450	1,046,819	-0-	1,300,269
Total Funding	<u>\$438,152</u>	<u>\$1,021,062</u>	<u>\$253,450</u>	<u>\$1,061,819</u>	<u>\$1,700,000</u>	<u>\$4,474,483</u>
Fiscal 1989						
Administration	\$118,593	\$ -0-	\$ -0-	\$ 15,000	\$ -0-	\$ 133,593
Facility Siting	136,658	1,021,063	-0-	-0-	-0-	1,157,721
Energy Planning	195,867	-0-	-0-	-0-	-0-	195,867
Conservation and Renewable Energy	-0-	-0-	252,336	978,871	-0-	1,231,207
Total Funding	<u>\$451,118</u>	<u>\$1,021,063</u>	<u>\$252,336</u>	<u>\$ 993,871</u>	<u>\$ -0-</u>	<u>\$2,718,388</u>

The alternative energy funds are derived from the coal severance tax and from repayment of alternative energy loans. Beginning in fiscal 1988, 1.710 percent of the coal severance tax is allocated to the alternative energy fund. The revenues of the alternative energy fund are to be shared by the Department of Commerce, Office of Science and Technology, and the Department of Natural Resources and Conservation, Energy Division.

The facility siting funds are generated by work done by the staff in preparing environmental impact statements or in doing facility siting reviews. The federal funds are primarily from the Bonneville Power Administration and the federal Department of Energy.

The other funds are \$1,650,000 for Rock Creek mitigation, \$40,000 for Lake Broadview Mitigation, and \$10,000 from the Warren Amendment.

Difference From Executive: The legislature appropriated \$15,500 for the biennium of Chevron oil overcharge funds which was not included in the executive recommendation. For further details on the use of the \$15,500, please refer to modification number 4.



Modifieds Approved: Three of the modifications were included in the executive budget and the Chevron oil overcharge modification was a new request by the department.

1. Residential Construction Demonstration Program - This modified continues the residential construction demonstration project funded by the Bonneville Power Administration (BPA) through the Washington State Energy Office. There is appropriated \$220,194 in fiscal 1988 and \$264,042 in fiscal 1989. Four FTE are included in this modified.
2. Technical Assistance Program - This program provides technical assistance and information to local government, commercial, agricultural, and residential consumers of electricity in western Montana to encourage BPA customers to conserve electrical energy. There is appropriated \$72,639 in fiscal 1988 and \$72,535 in fiscal 1989 from BPA funds. Three FTE are included in this modified.
3. BPA Coordination Agreement - This modification provides travel expenses of \$15,000 each fiscal year for Montana officials to attend BPA meetings in Seattle and Portland. Funding comes from BPA funds.
4. Chevron Oil Overcharge - This modified is a \$15,500 biennial appropriation and continues the use of Chevron oil overcharge funds from fiscal 1987 to augment work being done by the Northwest Power Planning Council. The department will analyze current building practices in Montana to assist the council in estimating energy savings that it will obtain through the implementation of the Model Conservation Standards.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1983			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	303.15	339.10	343.60	4.50	340.10	344.60	4.50	40.45
Personal Services	\$ 7,715,505	\$ 9,440,780	\$ 9,607,082	\$ 166,302	\$ 9,480,112	\$ 9,630,651	\$ 150,539	24.52
Operating Expenses	6,024,439	13,776,736	14,253,299	476,563	13,644,365	14,184,286	539,921	136.59
Equipment	485,717	139,297	203,297	64,000	250,878	265,878	15,000	-58.14
Non-Operating	43,836,133	56,362,678	45,712,278	(10,650,400)	55,791,936	44,023,185	(11,768,751)	4.28
TOTAL EXPENSES	\$58,061,794	\$79,719,491	\$69,775,956	\$ (9,943,535)	\$79,167,291	\$68,104,000	\$ (11,063,291)	20.18
FUNDING								
General Fund	\$ 9,351,001	\$ 7,964,326	\$ 4,916,141	\$ (3,048,185)	\$ 7,978,981	\$ 4,982,206	\$ (2,996,775)	-47.43
State Special Revenue	26,055,150	21,710,153	14,506,632	(7,203,521)	22,650,657	14,259,327	(8,391,330)	-44.32
Federal Revenue	18,161,705	19,784,529	19,782,351	(2,178)	18,327,022	18,324,820	(2,202)	8.92
Proprietary Fund	4,493,938	30,260,693	30,570,832	310,349	30,210,631	30,537,647	327,016	580.27
TOTAL FUNDING	\$58,061,794	\$79,719,491	\$69,775,956	\$ (9,943,535)	\$79,167,291	\$68,104,000	\$ (11,063,291)	20.18

Program Description: The Department of Commerce was established by Section 2-15-1801, MCA, to encourage and promote commerce-related activities in Montana through a wide spectrum of programs. Some of the programs are designed to foster stable, diversified, economic development by providing various types of assistance to businesses wishing to develop or expand within the state.

Department Wide Issue: A 4 percent vacancy savings was applied to all department programs.

Budget: There were seven major adjustments which made the legislature made in the Department of Commerce budget: 1) the Promotion Division, which in the 1987 biennium was funded by general fund, will be financed by the revenue of an accommodation tax. The budget of the Promotion Division was increased by 228.86 percent as the legislature has put an increased emphasis on tourist promotion; 2) the legislature did away with the Local Government Block program. The legislature enacted a property tax system for registering vehicles which replaced the fee system; 3) the legislature appropriated only the administrative expenses of the Coal Board and one grant for the Yellowstone County

jail for the 1989 biennium. The Coal Board's budget was reduced by 83.62 percent from the 1986 level; 4) the Board of Investments was transferred from the Department of Administration to the Department of Commerce. The Montana Economic Development Board was combined with the Board of Investments; 5) the legislature, following the mandate by the electorate through the passage of Referendum 100, created the lottery budget. The legislature appropriated \$25,010,000 in fiscal 1988 and \$25,100,000 in fiscal 1989 to implement the state lottery; 6) the legislature transferred the Video Poker Program from the Department of Revenue to the Department of Commerce. The legislature also enacted legislation which required that electronic keno machines to be licensed and regulated. This added 4.0 FTE and \$353,667 in fiscal 1988 and \$294,299 in fiscal 1989 to implement the program; 7) the legislature enacted the Montana Growth Through Agriculture Act which funded agricultural economic development programs with \$926,481 of coal severance tax for the 1989 biennium.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: BUSINESS LICENCE AND REGULATION DIVISION ADMINISTRATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	1.00	1.00	1.00	0.00	1.00	1.00	0.00	0.00
Personal Services	\$51,892	\$ 51,187	\$ 51,187	\$ 0	\$ 51,522	\$ 51,522	\$ 0	-1.36
Operating Expenses	9,762	103,157	101,661	(1,496)	102,994	101,474	(1,520)	941.40
Equipment	6,500	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$68,154	\$154,344	\$152,848	\$(1,496)	\$154,516	\$152,996	\$(1,520)	124.27
FUNDING								
General Fund	\$ 5,013	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
State Special Revenue	63,141	93,305	93,059	(246)	93,305	93,059	(246)	47.38
Proprietary Fund	0	61,039	59,789	(1,250)	61,211	59,937	(1,274)	N/A
TOTAL FUNDING	\$68,154	\$154,344	\$152,848	\$(1,496)	\$154,516	\$152,996	\$(1,520)	124.27

**Program Description:** The Business Licensing and Regulation Program Support represents the budget for the operation of the Business Regulation Division administrator. The administrator supervises the direction of the regulatory and licensing functions performed by the Building Codes, Milk Control, Professional and Occupational Licensing, and Weights and Measures Bureaus.

**Budget:** The travel budget increases \$1,500 per year. The executive recommendation to transfer the Tramway Safety Program from the Department of Administration to this program was approved. This program transfer is reflected in an operating expenses increase of \$13,100 per year. The tramway safety budget was increased by adding \$3,060 each fiscal year for increased contract costs and travel costs and by \$246 per year for tramway conferences. Indirect charges were reduced by approximately \$900 per year. The budget modification added \$75,000 per year to operating expenses.

**Funding:** The Tramway Safety Program is funded by a registration and annual fee paid by tramway owners. The budget for the administrator is financed from a proprietary account, which receives its revenue from the Building Codes, Milk Control, Professional and Occupational Licensing, and Weights and Measures Bureaus. The bureaus pay into the account based upon their individual personnel services budgets.

Modifieds Approved:

1. Legal Pool: The legislature approved \$75,000 per year for a legal cost pool. The pool would be used to finance any extraordinary legal expenses incurred during the biennium by the Building Codes, Milk Control, and Professional and Occupational Licensing Bureaus. The funding would be state special revenue fund from the POL boards, milk control board, and the building code program.

Difference From Executive: There was an adjustment in the program's indirect charge which is the difference between the executive budget and legislative action.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: WEIGHTS AND MEASURES BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Legislature	Difference	
FTE	12.00	12.00	0.00	12.00	0.00	0.00
Personal Services	\$296,337	\$302,061	\$ 0	\$302,951	\$ 0	1.93
Operating Expenses	122,509	127,577	(4,480)	120,527	(4,604)	0.48
Equipment	25,476	12,700	0	12,700	0	-50.15
TOTAL EXPENSES	\$444,322	\$442,338	\$(1,480)	\$436,178	\$(4,604)	-1.45
GENERAL FUND	\$444,322	\$442,338	\$(1,480)	\$436,178	\$(4,604)	-1.45

Program Description: The staff of the Weights and Measures Bureau tests and inspects all weighing and measuring devices and is responsible for calibrating all weights and measures. The bureau staff is also responsible for quality and quantity control for all petroleum products. The bureau investigates complaints concerning violations of weights and measures laws and regulations; regulate labeling, advertising and quantity control of prepackaged products; license all state petroleum dealers; and collect all license and scale test fees as well as impose late penalties.

Budget: The executive budget for the division which included the funding of one currently vacant position was approved. The budget includes \$12,700 per year for equipment replacement. The funds will be used primarily to replace one vehicle in each year of the biennium.

Funding: This program is funded by general fund. The program earns for the general fund approximately \$210,000 per year. Therefore, the program returns to the general fund approximately 48 percent of its costs.

Difference From Executive: There was an adjustment in the program's indirect charge which is the difference between the executive budget and legislative action.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: FINANCIAL DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change	
		Executive	Legislature	Executive	Legislature	Difference	
FTE	21.00	21.00	21.00	21.00	21.00	0.00	0.00
Personal Services	\$485,745	\$577,839	\$577,839	\$577,829	\$577,829	\$ 0	18.96
Operating Expenses	198,873	221,606	213,113	216,247	207,544	(8,703)	7.16
Equipment	6,500	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$691,118	\$799,445	\$790,952	\$794,076	\$785,373	\$(8,703)	14.45
STATE SPECIAL REVENUE	\$691,118	\$799,445	\$790,952	\$794,076	\$785,373	\$(8,703)	14.45

Program Description: The Financial Division consists of the State Banking Board and Department of Commerce staff who are responsible for chartering, licensing, supervising, and examining state banks, savings and loan associations, credit unions, consumer loan lenders, sales finance companies, and Montana development companies/boards. They act as guardian of the public's interests in Montana's financial institutions and seek to prevent loss resulting from mismanagement or insolvency of state financial organizations. Statutory authority for these functions resides in Title 32, MCA.

Budget: The budget includes an increase in travel of approximately \$17,000 per year to reflect a fully staffed program. In fiscal 1986 there were two new positions added. These new positions were not filled for the entire fiscal year and therefore the travel expenditures were not reflective of a fully staffed program. Legal costs were reduced by \$6,200 per year, computer costs increased \$1,400 per year, insurance increased \$600 per year, and rent increased \$1,100 per year. The difference between fiscal 1988 and 1989 is in audit charges of \$5,185.

Funding: This program is funded by an annual assessment to the financial institutions in the state.

Difference From Executive: There was an adjustment in the program's indirect charge which is the difference between the executive budget and legislative action.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: MILK CONTROL BUREAU

BUDGET ITEM	FY 1986		Fiscal 1988		Fiscal 1989		FY 86-88	
	Actual	Executive	Legislature	Difference	Executive	Legislature	Difference	% Change
FTE	8.00	8.50	8.00	-0.50	8.50	8.00	-0.50	0.00
Personal Services	\$182,684	\$201,553	\$192,331	\$ (9,222)	\$201,356	\$192,152	\$ (9,204)	5.28
Operating Expenses	90,452	98,174	89,418	(8,756)	96,288	87,446	(8,842)	-1.14
Equipment	10,680	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$283,816	\$299,727	\$281,749	\$(17,978)	\$297,644	\$279,598	\$(18,046)	-0.73
STATE SPECIAL REVENUE	\$283,816	\$299,727	\$281,749	\$(17,978)	\$297,644	\$279,598	\$(18,046)	-0.73

Program Description: The staff of the Milk Control Bureau is responsible for supervising, regulating, and controlling the milk industry of this state. The Bureau investigates all matters pertaining to production, processing, storage, distribution, and sale of milk. Intelligent production and orderly marketing of milk and cream products are encouraged to guarantee an adequate supply of healthful milk to the consuming public at the least possible cost.

Legislative Intent: Language included in the appropriation bill allows the Milk Control Board to request a budget amendment if it receives a petition for a state pooling arrangement. The executive budget had recommended a budget modification of \$31,878 for the biennium to hold a hearing on the advisability of such an arrangement and to establish the pool if warranted. Because a petition submitted in the fall of 1986 requesting the pooling arrangement had been withdrawn, the budget modification was not approved.

Budget: The budget includes a reserve for an economic consultant of \$5,998 per year. The reserve is provided in case the Milk Board determines an economic consultant becomes necessary to revise the economic milk formulas. There is an increase of \$2,800 per year in indirect charges and a reduction in legal costs of \$10,300 per year. The difference between fiscal 1988 and 1989 is \$1,975 in audit costs.

Funding: The program is funded by an assessment on the milk produced in Montana.

Difference From Executive: There were two changes made by the legislature to the executive budget. 1) The legislature did not appropriate 0.50 FTE and \$9,222 in fiscal 1988 and \$9,204 in fiscal 1989 to analyze a statewide milk pooling arrangement. Please refer to "Legislative Intent" for additional details. 2) There was an adjustment in the program's indirect charge of \$8,756 in fiscal 1988 and \$8,842 in fiscal 1989.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: PROFESSIONAL AND OCCUPATIONAL LICENSING BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	36.11	30.43	30.43	0.00	30.43	30.43	0.00	-5.68
Personal Services	\$ 776,343	\$ 832,290	\$ 841,347	\$ 9,057	\$ 833,978	\$ 839,928	\$ 5,950	8.37
Operating Expenses	768,182	1,504,293	1,618,495	114,202	1,497,582	1,601,805	104,223	110.69
Equipment	78,127	802	802	0	0	0	0	-98.97
Non-Operating	0	100,000	100,000	0	100,000	100,000	0	N/A
TOTAL EXPENSES	\$1,622,652	\$2,437,385	\$2,560,644	\$123,259	\$2,431,560	\$2,541,733	\$110,173	57.81
FUNDING								
State Special Revenue	\$1,622,652	\$1,722,907	\$1,846,166	\$123,259	\$1,725,406	\$1,835,579	\$110,173	13.77
Proprietary Fund	0	714,478	714,478	0	706,154	706,154	0	N/A
TOTAL FUNDING	\$1,622,652	\$2,437,385	\$2,560,644	\$123,259	\$2,431,560	\$2,541,733	\$110,173	57.81

Program Description: The Professional and Occupational Licensing Bureau is designed to provide the administrative and clerical services required by the professional licensing boards. Services provided by the bureau include correspondence, application processing, license issuance, license renewal, continuing education monitoring, investigation of complaints, examination administration and grading, minute taking of board meetings and maintenance of board records. Services are provided to the following 29 boards:

Board of Athletics  
Board of Architects  
Board of Barbers  
Board of Chiropractors  
Board of Cosmetologists  
Board of Dentistry  
Board of Denturty  
Board of Hearing Aid Dispensers  
Board of Landscape Architects  
Board of Medical Examiners  
Board of Morticians

Board of Nursing  
Board of Nursing Home Administrators  
Board of Occupational Therapists  
Board of Optometrists  
Board of Pharmacists  
Board of Physical Therapy Examiners  
Polygraph Licensing  
Board of Private Investigators  
Board of Professional Engineers and Land Surveyors  
Board of Psychologists



Board of Public Accountants  
 Board of Radiologic Technologists  
 Board of Realty Regulation  
 Board of Sanitarians  
 Board of Veterinarians

Board of Social Workers and  
 Professional Counselors  
 Board of Speech Pathologists  
 and Audiologists  
 Board of Outfitters

Legislative Intent: Boilerplate language which would allow the Board of Nursing to request a budget amendment if a computerized adaptive testing program becomes mandatory in fiscal 1989 was approved. Boilerplate language was approved which would allow the Board of Outfitters to request a budget amendment if cost of implementing and enforcing the outfitter licensing law is greater than the \$48,078 per year appropriated.

Budget: The reduction of 5.68 FTE from fiscal 1986 is caused by the position adjustments shown in Table 1.

Table 1  
 FTE Changes in the Professional and Occupational Licensing Bureau

A.	1.00	FTE added in fiscal 1987 for Board of Nursing
B.	(1.50)	FTE transferred to Build Montana Program
C.	1.30	FTE transferred from Business Support
D.	(0.50)	FTE transferred to Management Services
E.	(2.00)	FTE for Board of Plumbers and Electrical Board transferred to Building Codes Division
F.	0.80	FTE programmer transferred from Management Services
G.	(4.78)	FTE transferred to the Lottery Division (Board of Horse Racing)
	(5.68)	FTE Total

The method of accounting for the department's costs of serving the Professional and Occupational Licensing Boards has changed. In fiscal 1986 the support FTE of this program were divided among the boards on the basis of time spent providing administrative support. In the 1989 biennium, the program has been arranged to assign to the P.O.L. Administration subprogram all support staff which are not statutorily provided to a specific board. The estimated personal services and operating support to each board is calculated based on time studies. The personal services and operation support cost is reflected in each board's budget in the indirect cost recovery expenditure object code. Therefore the budget appears to have increased by \$710,000 per year but it really is a change in accounting.

The Board of Outfitters and \$48,078 per year of outfitters license funds were transferred from the Department of Fish, Wildlife, and Parks. There were minor increases in the Board of Medical Examiners relative to House Bill 471, the Board of Private Investigations relative to House Bill 68, and the Board of Optometrists relative to Senate Bill 170.

House Bill 555 authorized the Board of Medical Examiners to establish a program for impaired physicians. There is an appropriation of \$59,630 in fiscal 1988 and \$56,630 in fiscal 1989 to implement the program. Operating expenses include \$4,000 per year for administration of the Employment Agency Act. The \$4,000 was transferred from the Department of Labor.

Modifieds Approved:

1. Chiropractors - An increase in board compensation of \$300 per year and in operating expenses of \$1,700 per year to review complaints and hold hearings on complaints was approved.
2. Morticians - The modified approved increases the board's compensation \$500 per year and operating expenses \$4,571 in fiscal 1988 and \$5,370 in fiscal 1989 for increased investigations and inspections of funeral homes by the board and staff investigators.
3. Professional Engineers and Land Surveyors - The modified increases operating expenses \$2,000 in fiscal 1988 to survey the state to determine how many corporations and partnerships are in existence, so the board can start to contact them for registration.
4. Accountants Board - An increase in operating expenses of \$26,000 per year was approved for increased investigations, contracting for a coordinator to assist the board in implementation of a positive enforcement program, and increases in legal activities.

Funding: Each of the boards are funded by an assessment upon the members of the professions which the boards represent. The indirect funds are used to finance the centralized services which all boards utilize.

Other Legislation: There were five pieces of legislation which affect this programs. House Bill 406 transferred the Board of Outfitters from the Department of Fish, Wildlife, and Parks to the Professional and Occupational Licensing Boards Bureau. There were appropriation adjustments made to comply with House Bills 68, 471, and 555, and Senate Bill 170.

Difference From Executive: There were five changes made by the legislature to the executive budget. 1) The legislature transferred the Board of Outfitters from the Department of Fish, Wildlife, and Parks to this program. 2) The legislature appropriated \$59,630 in fiscal 1988 and \$56,630 in fiscal 1989 for the Board of Medical Examiners to establish a program for impaired physicians. 3) The legislature transferred \$4,000 per year for administration of the Employment Agency Act. 4) The legislature made minor increases relative to House Bills 68 and 471 and Senate Bill 170. The increases totaled \$16,544 in fiscal 1988 and \$7,778 in fiscal 1989. 5) There were reductions made in the program's indirect charge of \$4,993 in fiscal 1988 and \$6,323 in fiscal 1989.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: AERONAUTICS DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	12.84	11.99	12.99	1.00	11.99	12.99	1.00	0.15
Personal Services	\$316,094	\$342,868	\$357,899	\$15,031	\$344,136	\$359,141	\$15,005	13.23
Operating Expenses	245,562	353,394	382,792	29,398	277,715	307,010	29,295	55.88
Equipment	4,352	22,857	22,857	0	22,892	22,892	0	425.21
Non-Operating	19,352	33,000	33,000	0	33,000	33,000	0	70.53
TOTAL EXPENSES	\$585,360	\$752,119	\$796,548	\$44,429	\$677,743	\$722,043	\$44,300	36.08
FUNDING								
State Special Revenue	\$526,772	\$615,036	\$659,465	\$44,429	\$615,660	\$659,960	\$44,300	25.19
Federal Revenue	0	75,000	75,000	0	0	0	0	N/A
Proprietary Fund	58,588	62,083	62,083	0	62,083	62,083	0	5.97
TOTAL FUNDING	\$585,360	\$752,119	\$796,548	\$44,429	\$677,743	\$722,043	\$44,300	36.08

Program Description: The Division of Aeronautics consists of the Aeronautics Board and two bureaus. The Aeronautics Board, allocated to the department for administrative purposes, advises on matters pertaining to aeronautics.

The Airport/Airways Bureau staff provide technical and financial assistance to communities in airport development, navigational aid development, communications, aviation safety and aviation planning. Program staff plan, establish, operate, and maintain the state-owned system of airports, navigational aids, and communications facilities.

The staff of the Safety and Education Bureau maintains a statewide organization for aerial search and rescue and provide search and rescue for lost aircraft. The bureau serves as the approving agent for Veterans Administration flight schools, enforces state law on pilot and aircraft registration, and issues commercial air operator certificates. Bureau personnel plan and organize annual aircraft mechanic refresher seminars and annual flight instructor refresher clinics and conduct aviation safety programs for pilots in Montana. Additional staff responsibilities include: maintain a film library for pilot groups and schools; furnish aviation information and educational materials to students; provide schools with help in the area of curriculum planning and career information; provide guided career awareness tours of



specific aviation facilities for schools and other groups; maintain an accredited college aviation/aerospace teacher workshop program; and produce a monthly newsletter for the aviation community. The bureau also makes air marking recommendations for proposed towers, power lines, etc., and the actions of the FAA and other agencies are monitored with the best interests of Montana aviation in mind.

Budget: The West Yellowstone airport operations had 0.95 FTE eliminated because airport revenues would not support the position. The reduction resulted in a savings of \$21,475 per year. A 0.10 FTE janitorial position was approved which had previously been a contractual employee. The IRS required that the individual be a state employee. To implement House Bill 512 which imposes a fee in lieu of tax on aircraft, the legislature appropriated \$48,581 per year which funds one additional FTE and operating expenses. The budget includes an increase of \$14,695 per year for aircraft insurance, \$17,000 in fiscal 1988 and \$27,000 in fiscal 1989 for replacement of two aircraft engines, and a reduction of \$7,300 for reference materials and radios. Operating expenses include \$75,000 in fiscal 1988 for the completion of the state air plan.

Included in the equipment is \$18,465 in fiscal 1988 and \$18,500 in fiscal 1989 for non-directional beacon transmitters and unicomms. The equipment budget also includes \$1,992 each year for radio equipment and \$2,400 each year for emergency locator transmitter homer radios.

The increase in non-operating is an increase in preliminary engineering grants for airport upgrades and to award grants to additional teachers to attend the aerospace teacher workshop.

#### Modifieds Approved:

1. State Air Plan - The approved modified is for \$75,000 of federal funds and \$8,500 of state aeronautics funds match for completion of the state air plan in fiscal 1988.

Funding: The aeronautics division is financed by a tax on aviation fuel. The West Yellowstone airport operation is financed by landing fees and a percentage of the concession revenues.

#### Other Legislation:

1. House Bill 512 - creates a fee system for taxing aircraft. The fee system replaces a property tax on aircrafts. The Aeronautics Division will be responsible for collecting the fee and then rebating 90 percent of the fee to the counties. The division will keep 10 percent of the fee for enforcement costs.

2. House Bill 621 - appropriates \$65,000 of oil overcharge funds to repair the West Yellowstone airport roof. The bill also directs the Department of Commerce to take the steps necessary to transfer ownership of the West Yellowstone Airport to some other public entity or if no public entity is willing to take over the airport, the department is to present a plan to the Fifty-first Legislature to close the airport.

Difference From Executive: There were two changes made by the legislature to the executive budget. 1) To implement House bill 512, which imposes a fee in lieu of tax on aircraft, the legislature appropriated \$48,581 per year which funds 1.0 additional FTE and operating expenses. 2) The program's indirect charge was reduced \$4,152 in fiscal 1988 and \$4,281 in fiscal 1989.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: TRANSPORTATION DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	15.00	12.00	12.00	0.00	12.00	12.00	0.00	-3.00
Personal Services	\$ 477,424	\$ 386,748	\$ 386,748	\$ 0	\$ 387,274	\$ 387,274	\$ 0	-18.99
Operating Expenses	411,773	310,136	241,628	(68,508)	307,565	239,170	(68,395)	-41.32
Equipment	10,014	1,250	1,250	0	0	0	0	-87.52
Non-Operating	4,322,618	3,211,085	3,211,085	0	1,771,250	1,771,250	0	-25.71
TOTAL EXPENSES	\$5,221,829	\$3,909,219	\$3,840,711	\$(68,508)	\$2,466,039	\$2,397,694	\$(68,395)	-26.45
FUNDING								
General Fund	\$ 604,540	\$ 582,134	\$ 513,626	\$(68,508)	\$ 578,839	\$ 510,444	\$(68,395)	-15.04
State Special Revenue	75,000	71,250	71,250	0	71,250	71,250	0	-5.00
Federal Revenue	4,542,289	3,255,835	3,255,835	0	1,816,000	1,816,000	0	-28.32
TOTAL FUNDING	\$5,221,829	\$3,909,219	\$3,840,711	\$(68,508)	\$2,466,089	\$2,397,694	\$(68,395)	-26.45

**Program Description:** The Transportation Division's purpose is to develop and maintain effective transportation systems in Montana. The division staff provides technical, legal, planning, and financial assistance to transportation users, providers, and local governments. It is responsible for rate analysis and development of cost models to assess changes in transportation rates and systems.

Division staff also contributes recommendations for development of Montana's transportation system. This is accomplished through various state and federal programs of technical and financial assistance designed to assist shippers, agriculture, the rail and trucking industries, inter-city passenger carriers, urban public transportation, and other transportation providers and users. The division is also charged with administering the State Rail Plan and maintaining Montana's eligibility for general railroad assistance funding.

**Legislative Intent:** Boilerplate language was approved which would allow the Transportation Division to request federal funding for up to 3.0 additional FTE if federal funds become available. Additional boilerplate language was added which indicates that at least \$95,000 per year is designated for the McCarty Farms case.



Budget: In the budget 3.0 FTE were eliminated which were financed with federal rail planning funds. The funds were no longer available in the 1989 biennium. The reduction in operating expenses is caused by the following five decisions. First, there was a reduction in consultant services of \$122,805 per year. Second, the budget was reduced 5 percent, plus \$10,000 per year, from the executive's general fund recommendation. This reduced consultant services and travel by approximately \$39,000 per year which will reduce the rail planning activities of the program. Third, the indirect charges decreased by \$15,700 per year. Fourth, legal fees were increased by \$31,300 per year. Fifth, the operating expenses were reduced by \$26,000 general fund per year because House Bill 621 provided oil overcharge revenue for the program's operating expenses.

The non-operating is federal Urban Mass Transportation Grants which the state administers. Table 2 details the federal and state grants which the state administers.

Table 2  
Federal and State Grants

<u>URBAN MASS TRANSPORTATION GRANTS</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Section 8 Planning Grants	\$ 80,000	\$ 80,000
Section 16b(2) - Capital Fund for Elderly and Handicapped Vehicles	220,000	220,000
Section 18 Capital and Operating Subsidy for Nonurbanized/Rural Areas	400,000	400,000
<u>FEDERAL-RAIL</u>		
Rehabilitation and Improvement Assistance for Rail Facilities and Construction	1,937,930	1,000,000
Budget Modification - Short Line Rehab.	501,905	N/A
<u>STATE FUNDS</u>		
State Highway Funds Pass-Through to City Public Transit System	71,250	71,250

Modifieds Approved:

1. Railroad Funds - There was \$501,905 of interest from federal local rail assistance funds approved for shortline railroad track rehabilitation projects. The funds are available on a priority basis as established in the state rail plan with concurrence of the Federal Railroad Administration to project recipients who can provide a minimum 30 percent match for the federal funds. This is a biennial appropriation.



**Funding:** The program is funded with general fund, state highway gas tax revenue, federal urban mass transportation funds, and federal rail funds.

Other Legislation:

1. House Bill 621 - appropriates \$2,100,000 to the Department of Natural Resources and Conservation which the Department of Natural Resources and Conservation may administratively transfer to the Department of Commerce for a demonstration track/train transloading facility. The appropriation of \$2,100,000 is not included in any of the tables shown for the Transportation Division.

Difference From Executive: There were four changes which the legislature made to the executive budget. 1) The legislature reduced the general fund by 5 percent from the amount recommended by the executive. This adjustment reduced contracted services by approximately \$29,000 per year. 2) The legislature reduced consultant services by \$10,000 per year. 3) The legislature reduced the Transportation Division's general fund by \$26,000 per year because House Bill 621, which appropriates oil overcharge funds, contains funding for administrative costs. The \$26,000 reduction in general fund was anticipated to be replaced with oil overcharge funds. 4) There was an adjustment in the program's indirect charge.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: BUSINESS ASSISTANCE DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	11.00	16.00	16.00	0.00	16.00	16.00	0.00	5.00
Personal Services	\$350,481	\$ 485,509	\$ 485,509	\$ 0	\$ 485,556	\$ 485,556	\$ 0	38.53
Operating Expenses	330,376	807,953	857,953	50,000	896,433	946,433	50,000	159.69
Equipment	8,640	4,570	4,570	0	0	0	0	-47.11
Non-Operating	0	0	452,668	452,668	0	473,813	473,813	N/A
TOTAL EXPENSES	\$689,497	\$1,298,032	\$1,800,700	\$502,668	\$1,381,989	\$1,905,802	\$523,813	161.16
FUNDING								
General Fund	\$685,538	\$ 686,692	\$ 636,692	\$ (50,000)	\$ 683,219	\$ 633,219	\$ (50,000)	-7.13
State Special Revenue	0	30,114	582,782	552,668	59,257	633,070	573,813	N/A
Federal Revenue	3,959	581,226	581,226	0	639,513	639,513	0	14581.13
TOTAL FUNDING	\$689,497	\$1,298,032	\$1,800,700	\$502,668	\$1,381,989	\$1,905,802	\$523,813	161.16

Program Description: The Business Assistance Division performs comprehensive services that constitute the direct technical assistance component of the Build Montana economic development effort, including the following programs:

Small Business Advocate and Business Licensing Center - Serves as the single contact for businesses in understanding and completing all licensing requirements necessary to open or remain in business.

Business Development Assistance Program - Provides for contracting opportunities on a domestic and federal level to manufacturing firms through the contract procurement market system.

Marketing Assistance Program - Aids manufacturers in penetrating product markets on a local, state, regional, and national basis; conducts the "Made in Montana" campaign.

Development Finance Assistance Program - Provides technical assistance in the areas of financial analysis and planning, loan packaging, bonding, business tax incentives and the availability of public and private capital sources.



International Trade Program - Aids businesses in marketing their products outside the United States.

Business Location Program - Conducts promotion and recruitment efforts to attract and relocate out-of-state firms in Montana.

Local Development Organization Assistance Program - Assists local development organizations in retaining, expanding and recruiting business.

Legislative Intent: Boilerplate was added to the appropriations bill which will require the department to develop a one-stop business licensing proposal. The proposal is to be submitted to the 1989 legislature.

Budget: In fiscal 1986 there was one position transferred from the Professional Licensing and Occupational Board. This position was retained in this program. Each year \$300,000 of private funds and \$50,900 of accommodation tax revenue were added to the budget for business promotional activities. Travel was reduced by \$7,800 per year, contracted services was reduced by \$9,000 per year, and repairs and maintenance was increased by \$2,300 per year. Budget modifications increased operating expenses by \$191,024 in fiscal 1988 and by \$281,212 in fiscal 1989. The equipment in the budget is \$2,570 for two computer terminals and \$2,000 for office equipment in fiscal 1988.

Modifieds Approved:

1. Pacific Rim Office - The office would be financed one-third by the accommodations tax, one-third by wheat research and marketing funds, and one-third by the Montana Beef Council. The budget for the office would be \$90,340 in fiscal 1988 and \$177,770 in fiscal 1989. The office would promote tourism and Montana products in the Far East.
2. Small Business Development Center - This budget modification would finance two small business development centers with one in Helena and one in Glendive at Dawson Community College. Federal funds would finance the offices with \$221,000 appropriated each year of the biennium. There would be two positions in each office and the offices would provide assistance and information to small businesses.

Funding: The program staff and operating expenses are financed with general fund, accommodation tax revenues, and with \$300,000 per year of private funds for promoting Montana.

Other Legislation: In House Bill 889 the legislature enacted the Montana Growth Through Agriculture Act which created the Montana Agriculture Development Council and placed it in the Department of Commerce for administrative purposes only. The council is to be composed of seven members including the directors of the Departments of Commerce and Agriculture. The five other members are to be appointed by the Governor and are to be individuals who are or have been active in agriculture.

The purpose of the Montana Growth Through Agriculture Act is to strengthen and diversify Montana's agricultural industry by establishing a public-private sector partnership to assist the development of innovative agricultural business organizational improvements and the commercialization and marketing of new agricultural products in order to keep pace with a transforming agricultural industry and to create new jobs and expand small business opportunities.



The tools which the council has to achieve the purpose for which it was created include: 1) an agricultural seed capital account; 2) an agricultural business incubator program; and 3) 0.76 percent of the coal severance tax which is statutorily appropriated for the use of the council. The agricultural seed capital account is to be used by the council to invest in research relating to innovative organizational improvements in agricultural businesses and to the commercialization and marketing of new agricultural products or agricultural production processes. Investments by the council must be matched by at least an equal amount raised by the applicant from sources that are not state-appropriated.

In the agricultural business incubator program the council may invest up to \$100,000 in self-financing business developing entities. To be eligible for funding, an entity must provide such services as training, management consultation, accounting, and office space to eligible agricultural businesses. Such agricultural businesses may include, but are not limited to, marketing cooperatives and associations. The legislation stipulates that the incubators are to be established in communities of less than 15,000 population.

The 0.76 percent of the coal severance tax is to be used to support the agricultural seed capital account and the agricultural business incubator program as well as be used to place one full time professional marketing person in Japan and provide assistance for appropriate trade missions of Montana producers, processors, or distributors of agricultural products on a cost-share basis. The funds may also be used to assist other appropriate means of enhancing markets for Montana agricultural products or to provide professional assistance for the purpose of developing export sales of Montana agricultural products. The estimated revenues available from the 0.76 percent of the coal severance tax is \$452,668 in fiscal 1988 and \$473,813 in fiscal 1989. These amounts are included in the summary tables.

Difference From Executive: The legislature replaced \$50,000 of general fund per year with \$100,000 of accommodation tax revenue. This action increased operating expenses \$50,000 per year. The \$100,000 per year of accommodation tax revenue will provide technical assistance to Montana's tourist industry. The legislature also passed House Bill 889, the Montana Growth Through Agriculture Act, and Senate Bill 228 which allocates 0.76 percent of the coal severance tax to finance the act. These bills increase appropriation authority by \$452,668 in fiscal 1988 and by \$473,813 in fiscal 1989.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: MONTANA PROMOTION DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	11.00	14.00	14.00	0.00	14.00	14.00	0.00	3.00
Personal Services	\$ 282,072	\$ 350,120	\$ 350,120	\$ 0	\$ 349,857	\$ 349,857	\$ 0	24.12
Operating Expenses	1,177,236	3,364,106	3,260,026	(104,080)	3,440,449	3,336,270	(104,179)	176.92
Equipment	7,947	3,900	3,900	0	1,100	1,100	0	-50.92
Non-Operating	0	1,211,169	1,211,169	0	1,235,607	1,235,607	0	N/A
TOTAL EXPENSES	\$1,467,255	\$4,929,295	\$4,825,215	\$(104,080)	\$5,027,013	\$4,922,834	\$(104,179)	228.86
FUNDING								
General Fund	\$1,233,330	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
State Special Revenue	0	4,579,295	4,475,215	(104,080)	4,677,013	4,572,834	(104,179)	N/A
Federal Revenue	233,925	350,000	350,000	0	350,000	350,000	0	49.62
TOTAL FUNDING	\$1,467,255	\$4,929,295	\$4,825,215	\$(104,080)	\$5,027,013	\$4,922,834	\$(104,179)	228.86

Program Description: The Travel Promotion Program is responsible for promoting the state of Montana as a vacation destination nationally and internationally through advertising, publications, publicity, exhibits, direct contact with tour operators, and motion picture location promotion. The goal of the Travel Promotion Program is economic development through increased non-resident visitor expenditures and revenues.

Budget: The budget adds three new travel promotion officers. Operating expenses which increase substantially are contractual services of approximately \$440,000 in fiscal 1988 and \$430,000 in fiscal 1989, most of which is in printing of promotional materials; communications of \$1,500,000 in fiscal 1988 and \$1,586,000 in fiscal 1989 for advertising; an increase of \$104,600 per year in other communication activities; a \$15,500 per year increase in travel; and a \$22,687 per year increase in other operating expenses.

The non-operating expenditure is the proposed return of 24.12 percent of the accommodation tax revenues to local non-profit tourism corporations for regional tourism promotion.



Funding: The budget would be financed by the proposed 4 percent accommodations tax. The accommodation tax is estimated to yield \$4,583,000 in fiscal 1988 and \$5,000,000 in fiscal 1989. The budget also includes \$350,000 per year of private funds which are used to fund joint state-private promotion campaigns.

Other Legislation: The legislature passed House Bill 84 which created a 4 percent accommodation tax. The revenues from the tax are statutorily appropriated as follows: 1) The Department of Revenue is statutorily appropriated 2 percent of the revenue for collection costs. 2) The remaining funds are distributed:

- A. 1 percent to the Montana Historical Society to be used for installation or maintenance or roadside historical signs and historic sites.
- B. 2.5 percent to the university system for the establishment and maintenance of a Montana Travel Research Program.
- C. 72.38 percent to be used by the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
- D. 24.12 percent to be distributed to regional non-profit tourism corporations and cities or consolidated city-counties whose accommodations tax collections exceed \$35,000 per year.

Difference From Executive: There were three changes made by the legislature to the executive budget. 1) The legislature transferred \$100,000 per year of accommodation tax revenue from the Promotion Division to the Business Assistance Division. 2) The legislature adjusted the program's indirect charge from the amount recommended by the executive. 3) The distribution of the accommodation tax after collections costs includes 1 percent to the Montana Historical Society and 2.5 percent to the university system. These allocations were not part of the executive budget.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: HOUSING ASSISTANCE BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	7.00	7.00	7.00	0.00	7.00	7.00	0.00	0.00
Personal Services	\$ 182,027	\$ 182,964	\$ 182,964	\$ 0	\$ 183,206	\$ 183,206	\$ 0	0.51
Operating Expenses	109,669	110,313	108,135	(2,178)	106,732	104,530	(2,202)	-1.40
Equipment	73,660	1,249	1,249	0	696	696	0	-98.30
Non-Operating	7,113,868	9,740,286	9,740,286	0	9,744,360	9,744,360	0	36.92
TOTAL EXPENSES	\$7,479,224	\$10,034,812	\$10,032,634	\$(2,178)	\$10,034,994	\$10,032,792	\$(2,202)	34.14
FEDERAL REVENUE	\$7,479,224	\$10,034,812	\$10,032,634	\$(2,178)	\$10,034,994	\$10,032,792	\$(2,202)	34.14

Program Description: The Section 8 Housing Bureau's primary function is to provide rental subsidies on behalf of approximately 2,600 eligible low-income families or individuals (including elderly, disabled, and handicapped families) statewide in decent, safe, and sanitary housing through federally funded programs by the use of certificates (Existing Housing, Moderate-Rehabilitation, and Rental Rehabilitation Programs) and vouchers (Rental Rehabilitation and Voucher Demonstration Programs). The secondary function of the bureau is to upgrade the rental housing stock available to low-income families and individuals through rehabilitation of substandard and marginal rental properties through the Moderate Rehabilitation and Rental Rehabilitation Programs.

Budget: In operating expenses legal fees decreased \$2,600 and computer processing decreased \$4,900 per year. Computer maintenance increased \$6,500 per year.

The reduction in equipment reflects the one-time purchase of computer equipment in fiscal 1986. The non-operating budget reflects the estimate of federal funds that will be available in the 1989 biennium for funding housing assistance programs.

Funding: The program is funded by Federal Housing Assistance funds.

Difference From Executive: There was an adjustment in the program's indirect charge which is the difference between the executive budget and legislative action.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: HARD ROCK MINING BOARD

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Legislature	Difference	
FTE	2.00	2.00	0.00	2.00	0.00	0.00
Personal Services	\$58,121	\$ 61,029	\$ 0	\$ 61,066	\$ 0	5.00
Operating Expenses	30,497	43,961	(905)	42,567	(928)	41.18
Equipment	1,212	0	0	0	0	-100.00
Non-Operating	0	0	1,026,288	0	1,211,934	N/A
TOTAL EXPENSES	\$89,830	\$104,990	\$1,025,383	\$1,315,567	\$1,211,006	1158.35
STATE SPECIAL REVENUE	\$89,830	\$104,990	\$1,025,383	\$1,315,567	\$1,211,006	1158.35

Program Description: The Hard Rock Mining Board assists mineral developers and local government units prepare, review, and implement impact plans for new, large-scale hard rock mines; arbitrates disputes between local governments and mining companies; makes determinations on impact plan waivers; and awards grants and loans to mitigate fiscal and economic impacts of mine workforce reduction and closure.

The Hard Rock Mining Board receives 33 percent of the metalliferous mines license tax. The revenue from the license tax is first dedicated to the administrative expenses of the board. The remaining balance after administrative expenses is transferred to a hard rock mining impact trust account. Within the trust account are subaccounts and the funds are segregated by the county from which the revenues are received. If at some point in the future a mine is shut down or reduces its production by over 50 percent, the county can apply for use of the trust account fund.

Legislative Intent: The following boilerplate language was approved: "The Hard Rock Board shall report to the legislature any expenditures from the hard rock mitigation and arbitration account." Boilerplate language was approved which detailed what the line item entitled "Mitigation and Arbitration" can be expended on. The language also prohibited any transfer out of the Mitigation and Arbitration line item.

Budget: The appropriation for travel was increased by \$5,700 per year. Indirect cost for Local Government Administration increased by \$6,400 per year. This increase reflects the increased hard rock mining activity in Montana. The non-operating is the appropriation for possible mitigation costs if a hard rock mine is closed or reduces production substantially. The appropriation could also be used to resolve differences between local governmental units and mining companies in regard to the mine's impact on local communities. The appropriation level for the mitigation and arbitration line-item was determined by subtracting administrative expenses from estimated revenues.

Funding: The Hard Rock Mining Board receives 33 percent of the metalliferous mines license tax.

Difference From Executive: There were two changes which the legislature made to the executive budget. 1) The legislature appropriated \$1,026,288 in fiscal 1988 and \$1,211,934 in fiscal 1989 for mitigation and arbitration. The executive had recommended that the appropriation for mitigation and arbitration be a statutory appropriation. Boilerplate language was included which specified the use of the mitigation and arbitration line item. 2) There was an adjustment in the program's indirect charge which is a difference between the executive budget and legislative action.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: COAL BOARD

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	2.50	2.50	2.50	0.00	2.50	2.50	0.00	0.00
Personal Services	\$ 81,710	\$ 83,376	\$ 83,376	\$ 0	\$ 83,488	\$ 83,488	\$ 0	2.04
Operating Expenses	57,697	83,577	66,419	(17,158)	82,484	65,294	(17,190)	15.12
Equipment	1,546	223	223	0	0	0	0	-85.58
Non-Operating	5,126,183	815,824	712,650	(103,174)	857,028	0	(857,028)	-86.10
TOTAL EXPENSES	\$5,267,136 =====	\$983,000 =====	\$862,668 =====	\$ (120,332) =====	\$1,023,000 =====	\$148,782 =====	\$ (874,218) =====	-83.62
STATE SPECIAL REVENUE	\$5,267,136 =====	\$983,000 =====	\$862,668 =====	\$ (120,332) =====	\$1,023,000 =====	\$148,782 =====	\$ (874,218) =====	-83.62

**Program Description:** The Coal Board provides grants to local governments where adverse impacts have occurred as a result of large-scale coal development. The program is administered by a gubernatorially appointed board that acts on applications from local governments for public facilities or services intended to relieve the demand for public services and facilities caused by coal industries.

**Budget:** Operating expenses fund the current staff to monitor coal board grants, which were awarded in previous fiscal years. The increase in operating expenses are indirect costs of \$7,200 per year. The budget includes grant funding for one project in which the coal board had made a commitment for fiscal 1988. That project is the Yellowstone County jail, for which \$712,650 was committed. The intent was to fund only necessary administrative costs and any commitments that had been previously made. The remaining coal board funds were to be left uncommitted.

**Funding:** The coal board receives 1.52 percent of the coal severance tax income.

**Difference From Executive:** There were three changes made by the legislature to the executive budget. 1) As detailed in the "Budget" section of this report, the legislature appropriated the operating expenses of the current staff and the necessary funding for the one contractual commitment which the board had made for fiscal 1988. All of the remaining funds were not appropriated by the legislature. The executive budget for the Coal Board was based upon an allocation to the board of 1.25 percent of total coal severance tax collections. Because the legislature appropriated only the operational costs and the one grant, there is a difference of \$120,332 in fiscal 1988 and \$857,028 in fiscal 1989. 2) The legislature did not appropriate \$15,953 per year for consultant services as requested by the executive. 3) There was an adjustment in the program's indirect charge which is an additional difference between the executive budget and legislative action.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: COMMUNITY DEVELOPMENT

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	8.50	8.50	8.50	8.50	8.50	0.00
Personal Services	\$ 224,693	\$ 247,291	\$ 247,291	\$ 247,078	\$ 247,078	\$ 0
Operating Expenses	151,737	152,104	152,239	150,603	150,759	156
Equipment	3,025	223	223	0	0	0
Non-Operating	5,680,475	5,262,651	5,262,651	5,262,673	5,262,673	0
TOTAL EXPENSES	\$6,059,930	\$5,662,269	\$5,662,404	\$5,660,354	\$5,660,510	156
FUNDING						
General Fund	\$ 196,790	\$ 214,613	\$ 214,748	\$ 213,839	\$ 213,995	\$156
Federal Revenue	5,863,140	5,447,656	5,447,656	5,446,515	5,446,515	0
TOTAL FUNDING	\$6,059,930	\$5,662,269	\$5,662,404	\$5,660,354	\$5,660,510	156
						-6.56
						=====
						9.13
						-7.09
						=====
						-6.56
						=====

Program Description: The Community Development Program receives, awards, administers, and monitors federal HUD funds intended to assist local governments with their greatest public facilities, housing, and economic development needs by funding projects that will principally benefit low to moderate income people in their communities.

Technical assistance is provided to local governments. Much of the assistance is accomplished through training workshops, publications and automated data retrieval.

Budget: The budget approved is a continuation budget for the Community Development program which includes 8.50 FTE.

Funding: The general fund is a 50 percent match for the operating costs of the program. The federal funds are Housing and Urban Development funds.

Difference From Executive: There was an adjustment in the program's indirect charge which is the difference between the executive budget and legislative action.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: LOCAL GOVERNMENT - SYSTEMS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	9.00	7.00	7.00	0.00	7.00	7.00	0.00	-2.00
Personal Services	\$ 152,592	\$ 201,861	\$ 201,861	\$ 0	\$ 201,642	\$ 201,642	\$ 0	32.29
Operating Expenses	94,450	122,188	119,193	(2,995)	120,645	117,580	(3,065)	26.20
Equipment	7,135	4,250	4,250	0	4,250	4,250	0	-40.43
Non-Operating	19,768,296	11,564,317	2,514,879	(9,049,438)	12,154,283	2,614,463	(9,539,820)	-87.28
TOTAL EXPENSES	\$20,022,473	\$11,892,616	\$2,840,183	\$(9,052,433)	\$12,480,820	\$2,937,935	\$(9,542,885)	-85.82
FUNDING								
General Fund	\$ 4,060,459	\$ 5,019,208	\$2,372,467	\$(2,646,741)	\$ 5,061,208	\$2,460,078	\$(2,601,130)	-41.57
State Special Revenue	15,763,635	6,703,000	299,000	(6,404,000)	7,251,000	311,000	(6,940,000)	-98.10
Proprietary Fund	198,379	170,408	168,716	(1,692)	168,612	166,857	(1,755)	-14.95
TOTAL FUNDING	\$20,022,473	\$11,892,616	\$2,840,183	\$(9,052,433)	\$12,480,820	\$2,937,935	\$(9,542,885)	-85.82

**Program Description:** The Local Government Systems Program exists to develop, implement, and maintain uniform budgetary, accounting, and reporting systems for Montana cities, towns, counties, school districts, and single purpose districts. The staff provides special accounting assistance to local officials and ongoing training for local finance personnel, coordinates technical advice and assistance between state agencies and local governments, and is responsible for the timely receipt of budgets and annual financial reports from counties, cities, and towns. The District Court Reimbursement Program and the County Land Planning Grant Program are included in this program.

**Legislative Intent:** Boilerplate language was added which would lower the appropriation authority for District Court Reimbursement from the amount appropriated in House Bill 2. The reimbursement would be lowered if revenues to the general fund from the 7 percent of the property tax on vehicles is less than \$2,286,259 in fiscal 1988 or less than \$2,373,870 in fiscal 1989. If revenues are less, the Department of Commerce is to reduce the appropriation authority to equal whatever amount the 7 percent will yield.

**Budget:** In fiscal 1986 there were 9.0 FTE in this program. Three of the positions were vacant in fiscal 1986. Two of the vacant positions were eliminated. Consulting services was decreased from \$4,943 to \$0.



Audit fees were increased from \$21,407 to \$48,728. This increase reflects the cost of auditing the District Court Reimbursement Program. The audit charges for the district court program are \$47,000 per fiscal year.

The District Court Reimbursement program was approved at \$2,286,259 general fund in fiscal 1988 and \$2,373,870 in fiscal 1989. The District Court Reimbursement Program is divided into administrative costs and grants. The administrative costs are \$70,380 in fiscal 1988 and \$70,407 in fiscal 1989.

The budget includes \$299,000 in fiscal 1988 and \$311,000 in fiscal 1989 for the county land planning grants. The grants are financed from 0.38 percent of the coal severance tax revenues. The reduction in non-operating expenses reflects the elimination of the Local Government Block Grant Program.

The budget includes no funding for the Local Government Block Grant Program. Senate Bill 200 eliminated the Local Government Block Grant Program. The bill returned the registration of vehicles to a property tax system which is to be administered by the counties. All revenues from vehicle registrations, with the exception of district court fees, will be kept by counties to be distributed to local governmental units.

**Funding:** The local government systems administration is funded approximately one-third by general fund and two-thirds by charges to local governmental units. The funding for the County Land Planning Grants, and the District Court Reimbursement Program is detailed in the following table.

Table 3  
1989 Biennium Current Level Grants

	<u>Fund Source</u>	<u>FY 1988</u>	<u>FY 1989</u>
District Court County Land Planning	General Fund	\$2,215,879	\$2,303,463
	Coal Severance Tax	299,000	311,000
Total		<u>\$2,514,879</u>	<u>\$2,614,463</u>

**Other Legislation:** Senate Bill 200 replaced the fee in lieu of tax on vehicles registered in Montana with a property tax. The bill also changed the District Court Reimbursement formula from a fee basis to 7 percent of the vehicle property tax collected.

**Difference From Executive:** There were three changes which the legislature made to the executive budget. 1) To implement Senate Bill 200, the legislature reduced the District Court Reimbursement by \$213,741 in fiscal 1988 and by \$126,130 in fiscal 1989. Senate Bill 200 provides that 7 percent of the property tax on vehicles rated at 3/4 ton or less shall be deposited into the general fund. The funds deposited into the general fund via the property tax are to offset the general fund appropriation for the district court reimbursement. 2) The Local Government Block Grant

(LGBG) Program was eliminated with the passage of Senate Bill 200. The LGBG was created to reimburse local units of government for revenue lost when the state switched from a property tax system of registering vehicles to a fee in lieu of tax system. Senate Bill 200 returns the state to a property tax system of registering vehicles. For the 1989 biennium, the executive budget included \$2,432,000 of general fund and \$6,404,000 of oil severance tax revenue in fiscal 1988 and \$2,474,000 of general fund and \$6,904,000 of oil severance tax revenue in fiscal 1989 to finance the LGBG. 3) There was an adjustment in the program's indirect charge.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: LOCAL GOVERNMENT ASSISTANCE ADMINISTRATION DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	2.00	2.00	2.00	2.00	2.00	0.00
Personal Services	\$46,698	\$84,496	\$84,496	\$84,551	\$84,551	0
Operating Expenses	5,149	15,424	14,170	14,967	13,682	175.20
Equipment	500	0	0	0	0	-100.00
TOTAL EXPENSES	\$52,347	\$99,920	\$98,666	\$99,518	\$98,233	88.48
PROPRIETARY FUND	\$52,347	\$99,920	\$98,666	\$99,518	\$98,233	88.48

Program Description: The Local Government Assistance Division-Administrator Program represents the budget for the operations of the administrator of the division and the division's legal counsel. The administrator supervises the functions of the Housing Assistance Bureau, Community Development Bureau, which includes the Coal Board and the Hard Rock Mining Board, the Audit Bureau and the Systems Bureau, which includes the District Court Reimbursement and County Land Planning distribution functions.

Budget: This is a new program created in fiscal 1986 and, therefore, the personal services and operating expenses only reflect partial year expenditures. The division administrator position was transferred out of the Audit Program into this program. Also, an attorney position in the Legal Services Division was transferred to this program when the Legal Services Division was disbanded.

The increase in operating expense reflects the transfer of the attorney and the increase in indirect costs.

Funding: The program is funded by a charge to all of the programs which it administers. The charges to the programs are based upon each individual program's personnel services budget.

Difference From Executive: There was an adjustment in the program's indirect charge which is the difference between the executive budget and legislative action.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: BUILDING CODES BUREAU

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	29.50	29.00	29.00	29.00	29.00	-0.50
Personal Services	\$ 738,665	\$ 807,349	\$ 807,349	\$ 809,473	\$ 0	9.30
Operating Expenses	356,469	372,732	361,491	367,178	(11,569)	1.41
Equipment	138,513	1,400	1,400	147,580	0	-98.99
TOTAL EXPENSES	\$1,233,647	\$1,181,481	\$1,170,240	\$1,324,231	\$1,569	-5.14
STATE SPECIAL REVENUE	\$1,233,647	\$1,181,481	\$1,170,240	\$1,324,231	\$1,569	-5.14

Program Description: The Building Codes Bureau establishes and enforces minimum building, plumbing, mechanical, electrical, and energy standards to safeguard the public in design and construction of buildings, recreational vehicles, and factory built buildings, in accordance with the authority assigned in Title 50, Chapter 60, MCA. The bureau achieves compliance with minimum standards through review and approval of plans, issuance of building, plumbing, mechanical, and electrical permits, issuance of factory building and recreational vehicle insignias, and field inspection of buildings and installations.

Legislative Intent: Boilerplate language permits the department to request up to three additional building inspectors if the building economy should greatly increase.

Budget: In fiscal 1987 a 0.50 FTE attorney was eliminated from this program. The major changes in operating expenses between fiscal 1986 and 1988 are a reduction of \$55,900 in legal costs, \$1,700 increase in reference books, \$5,600 increase in maintenance, \$7,160 increase for audit costs, \$1,954 increase in payroll costs, a \$12,500 reduction in travel, a \$15,300 increase in gasoline, and a \$38,700 increase in indirect charges. The equipment budget contains \$147,850 in fiscal 1989 to replace 16 vehicles which were all purchased in fiscal 1986 and will have over 100,000 miles by fiscal 1989.

Modifieds Approved:

1. Electrical Board Educational Testing Service - The approved modified is for \$7,350 in fiscal 1988 and \$9,450 in fiscal 1989 to allow the Electrical Board to make a lump sum payment to the Educational Testing Service for the examination fees of Montana applicants for national certification.

Funding: The Buildings Code Program is financed by building inspection fees and by licensing charges to electricians and plumbers.

Difference From Executive: There was an adjustment in the program's indirect charge which is the difference between the executive budget and legislative action.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: OFFICE OF ECONOMIC POLICY AND RESEARCH

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	7.00	7.00	7.00	0.00	7.00	7.00	0.00	0.00
Personal Services	\$182,587	\$192,578	\$196,078	\$ 3,500	\$192,374	\$195,874	\$ 3,500	7.39
Operating Expenses	112,766	114,200	84,858	(29,342)	109,230	80,348	(28,882)	-24.75
Equipment	8,393	1,411	1,411	0	1,188	1,188	0	-83.19
TOTAL EXPENSES	\$303,746	\$308,189	\$282,347	\$(25,842)	\$302,792	\$277,410	\$(25,382)	-7.05
FUNDING								
General Fund	\$264,578	\$268,189	\$242,347	\$(25,842)	\$262,792	\$237,410	\$(25,382)	-8.40
Federal Revenue	39,168	40,000	40,000	0	40,000	40,000	0	2.12
TOTAL FUNDING	\$303,746	\$308,189	\$282,347	\$(25,842)	\$302,792	\$277,410	\$(25,382)	-7.05

Program Description: The Office of Economic Policy and Research is the central planning, coordination, and analysis unit for the department's programs. Primary functions include monitoring Montana's economy, formulating policy recommendations through the Governor's Council on Economic Development, conducting specific economic analysis projects, coordinating the departmental economic development policy group, distributing economic and demographic information through the Census and Economic Information Center, and presenting information on the department's economic development programs. This office also provides staffing for the Montana Ambassadors.

Budget: The executive budget was increased by \$3,500 per year for per diem of the Governor's Council on Economic Development and general fund was reduced by 10 percent from the amount of general fund recommended by the executive with the per diem adjustment. The reduction primarily affected the contractual services area of the budget. Functions such as research for the Governor's Council on Economic Development would be reduced, computer processing of economic data would be reduced, and computer programming for economic analysis would be reduced.

Funding: This program is funded with general fund and a federal grant from the Economic Development Administration of \$40,000 per year.



Difference From Executive: There were three changes which the legislature made to the executive budget. 1) The legislature appropriated \$3,500 per year for the per diem expenses of the Governor's Council on Economic Development. 2) The legislature reduced the program's general fund by 10 percent from the amount recommended by the executive. 3) There was an adjustment in the program's indirect charge.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: LOCAL GOVERNMENT - AUDIT

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	27.70	28.20	0.00	28.20	0.00	0.50
Personal Services	\$ 678,640	\$ 758,074	\$ 758,074	\$ 758,002	\$ 0	11.70
Operating Expenses	249,326	268,137	(11,244)	250,278	(11,521)	3.03
Equipment	4,096	13,000	0	10,500	0	217.38
Non-Operating	1,452,700	0	0	0	0	-100.00
TOTAL EXPENSES	\$2,384,762	\$1,039,211	\$1,027,967	\$1,018,780	\$11,521	-56.89
FUNDING						
General Fund	\$1,452,702	\$ 87,768	\$ 43,560	\$ 43,546	\$144,222	-97.00
Proprietary Fund	932,062	951,443	984,407	942,533	32,701	5.62
TOTAL FUNDING	\$2,384,764	\$1,039,211	\$1,027,967	\$1,018,780	\$11,521	-56.89

Program Description: The Local Government Audit Program exists to perform post-audits of the financial statements of local government entities across Montana. The program also performs special entity audits in cases of suspected fraud or misappropriation of funds. The audit function is designed to protect the taxpayers' interests by verifying that the financial conditions and operations are responsibly accounted for and reported, and that all appropriate statutes and regulations are complied with by local officials.

Budget: One position which was eliminated in the fiscal 1987 budget reductions was not restored in the 1989 biennium. Added to the budget were 1.50 FTE secretarial positions which were contractual employees who the IRS required become state employees. Travel was increased by \$16,500 per year and consulting services were reduced by \$13,100 per year. Postage and long distance phone calls were increased by \$1,500 per year. The difference between fiscal 1988 and 1989 operating expenses is the one-time appropriation of audit costs in fiscal 1988 of \$6,592.

The \$16,500 travel increase was approved because in fiscal 1986 there were two auditing positions which were vacant most of the year. In fiscal 1986, the district court reimbursement program was located in this program. In the

1989 biennium, the reimbursement program is transferred to Local Government Systems; therefore, the decrease in non-operating expenses.

Funding: This program is funded with general fund and with revenue collected from local units of government for auditing. The general fund was reduced by 50 percent from the executive recommendation and the department directed to increase the charges to local governmental units.

Difference From Executive: There was an adjustment in the program's indirect charge which is a difference between the executive budget and legislative action. The legislature also reduced the general fund support by 50 percent or \$44,208 in fiscal 1988 and \$44,222 in fiscal 1989 and increased the charges to local governmental units by like amounts.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: COORDINATOR OF INDIAN AFFAIRS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	2.00	2.00	2.00	0.00	2.00	2.00	0.00	0.00
Personal Services	\$54,879	\$55,339	\$55,339	\$ 0	\$55,396	\$55,396	\$ 0	0.84
Operating Expenses	32,882	38,693	29,290	(9,403)	34,835	25,812	(9,023)	-10.92
Equipment	1,915	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$89,676	\$94,032	\$84,629	\$(9,403)	\$90,231	\$81,208	\$(9,023)	-5.63
GENERAL FUND	\$89,676	\$94,032	\$84,629	\$(9,403)	\$90,231	\$81,208	\$(9,023)	-5.63

Program Description: The Indian Affairs Coordinator serves as the Governor's liaison with the state's Indian tribes and provides information and policy support to state, local, and federal officials in the areas of tribal affairs and Indian law. The coordinator also serves the Montana congressional delegation as an advisor and intermediary in the field of Indian affairs and acts as spokesman for representative Indian organizations and groups, both public and private, whenever that support is solicited.

Budget: The budget was reduced 5.63 percent from the fiscal 1986 spending levels. There were minor reductions in a number of operating accounts and no equipment was authorized.

Difference From Executive: The legislature reduced the program's appropriation by 10 percent from the amount in the executive budget.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: MONTANA HEALTH FACILITIES AUTHORITY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	3.00	3.00	3.00	0.00	3.00	3.00	0.00	0.00
Personal Services	\$ 73,313	\$ 74,446	\$ 74,446	\$ 0	\$ 74,418	\$ 74,418	\$ 0	1.55
Operating Expenses	42,770	49,477	48,609	(868)	48,859	47,965	(894)	13.65
Equipment	13,378	265	265	0	0	0	0	-98.02
TOTAL EXPENSES	\$129,461	\$124,188	\$123,320	\$(868)	\$123,277	\$122,383	\$(894)	-4.74
PROPRIETARY FUND	\$129,461	\$124,188	\$123,320	\$(868)	\$123,277	\$122,383	\$(894)	-4.74

**Program Description:** The Montana Health Facility Authority issues revenue bonds and notes to finance capital projects for public and private non-profit health facilities at borrowing rates below those otherwise available. Two types of programs are operated by the authority: one to provide financing for individual facilities, and the other to satisfy the capital needs of a pool of institutions.

**Budget:** Legal fees were increased by \$4,140 per year. The budget also has an increase of \$2,050 for a full year dues in National Council of Health Facilities Financing Authorities. Indirect costs were reduced by \$900 per year, travel was reduced by \$1,850 per year, and rent was increased \$1,650 per year.

**Funding:** The Montana Health Facility Authority is financed by bond fee income. When the authority puts together a bond sale, a portion of the bond proceeds are earmarked for the administrative expenses of the authority.

**Difference From Executive:** There was an adjustment in the program's indirect charge which is the difference between the executive budget and legislative action.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM, MONTANA SCIENCE AND TECHNOLOGY ALLIANCE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	2.00	5.00	5.00	0.00		6.00	6.00	0.00		3.00
Personal Services	\$ 83,814	\$ 162,888	\$ 162,888	\$ 0		\$ 190,020	\$ 190,020	\$ 0		94.34
Operating Expenses	57,219	89,373	86,353	(3,020)		99,869	96,816	(3,053)		50.92
Equipment	8,005	4,449	4,449	0		2,290	2,290	0		-44.42
Non-Operating	156,578	1,178,260	1,163,859	(14,401)		1,240,269	1,225,934	(14,335)		643.31
TOTAL EXPENSES	\$305,616	\$1,434,970	\$1,417,549	\$(17,421)		\$1,532,448	\$1,515,060	\$(17,388)		363.83
FUNDING										
State Special Revenue	\$305,616	\$1,362,421	\$1,345,000	\$(17,421)		\$1,427,388	\$1,410,000	\$(17,388)		340.09
Proprietary Fund	0	72,549	72,549	0		105,060	105,060	0		N/A
TOTAL FUNDING	\$305,616	\$1,434,970	\$1,417,549	\$(17,421)		\$1,532,448	\$1,515,060	\$(17,388)		363.83

**Program Description:** The 1985 legislature created the Office of Science and Technology to strengthen and diversify Montana's economy by establishing a public-private sector partnership to encourage scientific and technological development within the state. The office was to keep the state in step with a transforming economic structure, create new jobs, and expand small business opportunities.

**Legislative Intent:** Boilerplate language delineating how the revenues from the alternative energy fund are to be allocated between the Department of Commerce, Office of Science and Technology, and the Department of Natural Resources and Conservation, Energy Division was approved. The boilerplate language would allocate only the revenues earned by the alternative energy fund from the coal severance tax to the Office of Science and Technology. All other revenues earned by the alternative energy fund would be allocated to the Department of Natural Resources and Conservation, Energy Division.

**Budget:** The budget includes an increase of \$1,900 per year for the board per diem and an increase in contractual services of \$3,316 in fiscal 1988 and \$2,770 in fiscal 1989. The increase was primarily for consultant services and consultant travel. Travel is increased by \$6,920 in fiscal 1988 and \$12,620 in fiscal 1989. Other expenses were



increased by \$4,900 per year to reflect a full year of costs. Audit fees are reduced by \$494. Budget modifications added 3.0 FTE in fiscal 1988 and 4.0 FTE in fiscal 1989 and \$12,185 of operating expenses in fiscal 1988 and \$18,888 in fiscal 1989.

The non-operating appropriation is for the grants and loans which the office awards. This was a new program in fiscal 1986 and only two grants were awarded. The 1989 biennial budget reflects a fully funded program.

Modifieds Approved:

1. Administrative Assistant Position - The approved modified is for 1.0 FTE and \$17,421 in fiscal 1988 and \$17,388 in fiscal 1989 of alternative energy funds for an administrative assistant to assist in the increased workload.

2. Seed Capital Fund - The budget modification will add 3.0 FTE for the 1989 biennium. Two of the FTE will be added in fiscal 1988 with the third will be hired in fiscal 1989. The positions will be financed from an administrative charge which will be funded from the seed capital fund. The cost of the budget modification was \$72,549 in fiscal 1988 and \$105,060 in fiscal 1989.

Funding: The funding for this program is alternative energy funds and bond proceeds.

Other Legislation: House Bill 700 provided authority to the Montana Science and Technology Development Board to issue science and technology development seed capital fund bonds to finance technology investments. House Bill 700 permits the board to sell bonds in which the aggregate principal and unpaid interest to maturity may not exceed \$38 million. The intent of the bill was that the board would receive approximately \$16 million for investment in technology investments. The board is to invest in projects in which there is some certainty of repayment of the investment. The bill allows the use of coal severance tax permanent trust fund as collateral to insure the repayment of the bonds.

Difference From Executive: There were two changes made by the legislature to the executive budget. 1) The legislature used the revenue estimate of \$1,345,000 in fiscal 1988 and \$1,410,000 in fiscal 1989 which were \$17,421 less in fiscal 1988 and \$17,388 less in fiscal 1989 than the executive budget. The reductions appear in the non-operating line-item. 2) The legislature appropriated \$3,020 less in fiscal 1988 and \$3,053 less in fiscal 1989 for departmental indirect costs. These reductions were offset by identical increases in grant appropriations.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: BOARD OF HOUSING

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	13.00	14.00	14.00	14.00	14.00	1.00
Personal Services	\$ 327,604	\$ 387,440	\$ 387,440	\$ 388,068	\$ 0	18.26
Operating Expenses	766,336	687,080	681,333	684,792	(5,899)	-11.09
Equipment	16,564	0	0	0	0	-100.00
TOTAL EXPENSES	\$1,110,504	\$1,074,520	\$1,068,773	\$1,072,860	\$1,066,961	-3.76
PROPRIETARY FUND	\$1,110,504	\$1,074,520	\$1,068,773	\$1,072,860	\$1,066,961	-3.76

Program Description: The Montana Board of Housing was established to provide decent, safe, and sanitary housing in the state which is within the financial capabilities of lower income persons and families. Public moneys are made available through the issuance of revenue bonds to assist private enterprise and governmental agencies in meeting critical housing needs. The board operates both single family and multi-family programs, administers federal housing programs at the state level, renders technical assistance, and conducts other activities which fulfill the program's legislative purpose.

Legislative Intent: Boilerplate language which will allow the Board of Housing to request a budget amendment if bonding activity should increase during the 1989 biennium was approved.

Budget: In fiscal 1986 the department transferred a position from Management Services Division to the Board of Housing. The position was used to create an assistant administrator. The budget includes the continuation of the assistant administrator position in the Board of Housing. Contractual Services decreased by \$100,000 per year and computer maintenance increased by \$18,200 per year.

Funding: This program is funded through an administrative charge which is applied to the mortgages which the board finances.

Difference From Executive: There was an adjustment in the program's indirect charge which is the difference between the executive budget and legislative action.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: BOARD OF INVESTMENTS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	26.00	26.00	25.00	-1.00	26.00	25.00	-1.00	-1.00
Personal Services	\$ 740,733	\$ 850,030	\$ 887,603	\$ 37,573	\$ 849,721	\$ 894,624	\$ 44,903	19.83
Operating Expenses	382,819	449,139	502,943	53,804	372,379	447,714	75,335	31.38
Equipment	10,064	5,259	12,259	7,000	1,759	1,759	0	21.81
Non-Operating	196,063	259,190	259,190	0	253,924	253,924	0	32.20
TOTAL EXPENSES	\$1,329,679	\$1,563,618	\$1,661,995	\$ 98,377	\$1,477,783	\$1,598,021	\$ 120,238	24.99
FUNDING								
General Fund	\$ 189,042	\$ 431,262	\$ 250,000	\$ (181,262)	\$ 431,262	\$ 250,000	\$ (181,262)	32.25
Proprietary Fund	1,140,637	1,132,356	1,411,995	279,639	1,046,521	1,348,021	301,500	23.79
TOTAL FUNDING	\$1,329,679	\$1,563,618	\$1,661,995	\$ 98,377	\$1,477,783	\$1,598,021	\$ 120,238	24.99

Program Description: The Board of Investments has the sole authority to invest state funds. It directs the investment of state funds in accordance with the Montana Constitution and state statute. The investment staff initiates the investment process for board approval and accounts for those investments. The Montana Economic Development Board has been consolidated with the Board of Investments. The Montana Economic Development Board administers the Coal Tax Loan Program, the Montana Capitol Companies Program, the Industrial Development Revenue Bond Program, and the Municipal Finance Program.

Legislative Intent: Three sections of boilerplate language were added. The first section extends the \$150,000 general fund loan to the Montana Economic Development Board until June 30, 1989. The loan, authorized in the 1983 legislature, was for operating costs of the umbrella industrial bond program. The second section authorizes the Board of Investments the use of designated commissions for services provided by brokers. The board will be required to make a report to the Fifty-first Legislature on the use of the designated commissions. The third section indicated that a particular line-item in House Bill 2 is the termination pay for the current chief of investment officers.



Budget: Two FTE were deleted by the agency in response to the pay plan cut in fiscal 1987 and the reduction was continued in the 1989 biennium. The FTE deletions were offset by 2.0 FTE added in the approved budget modification. A 1.0 FTE security analyst was deleted because the position was vacant for over two years. Four percent vacancy savings was applied to all positions in the 1989 biennium. Fiscal 1988 personal services also includes \$15,000 line-itemed for termination pay for the current chief investment officer.

Operating expenses increase 31.38 percent between fiscal 1986 and fiscal 1988 but then decrease in fiscal 1989. The increase is attributable to increased legislative audit costs, indirect costs, contracted services, and rental costs. The fiscal 1989 decrease is attributable to all audit costs (\$77,331) being included in fiscal 1988. Authorized in fiscal 1988 only was \$3,500 for word processing equipment and \$7,000 for office equipment.

Non-operating costs are lease purchase payments for the board's telephone system and computer equipment and \$250,000 per year for the interest subsidy of the linked deposit program.

#### Modifieds Approved:

1 Portfolio Managers - A modified request for 2.0 FTE portfolio managers, grade 17, step 13, at a cost of \$81,709 in fiscal 1988 and \$81,613 in fiscal 1989 funded from investment income was approved.

Funding: The Board of Investments is funded from investment income. The linked deposit subsidy is financed by the general fund.

#### Other Legislation:

1. House Bill 275 - appropriated \$500,000 of general fund for the biennium to offset the interest lost in the linked deposit program.

2. Senate Bill 298 - combined the functions of the Montana Economic Development Board with the Board of Investments. The bill transferred the combined boards to the Department of Commerce.

Difference From Executive: There were nine changes which the legislature made to the executive budget. 1) The legislature eliminated a security analyst position which was vacant in the 1987 biennium. This reduction saved \$23,987 in fiscal 1988 and \$23,492 in fiscal 1989. 2) The legislature increased the salary of 5.0 FTE positions above the amount recommended by the executive. The total increase in salaries was \$52,219 in fiscal 1988 and \$75,546 in fiscal 1989. 3) When the legislature combined the Montana Economic Development Board with the Board of Investments, the general fund which had financed a portion of MEDB's operations was replaced by proprietary funds. The reduction in general fund was \$181,262 per year. 4) The legislature appropriated \$7,000 in fiscal 1988 for office equipment. 5) The legislature appropriated \$15,000 in fiscal 1988 for the termination costs of the current chief investment officer. 6) The legislature reduced personal services by \$5,939 in fiscal 1988 and \$6,872 in fiscal 1989. 7) The legislature increased contracted services by \$19,726 in fiscal 1988 and \$40,694 in fiscal 1989. 8) The legislature made minor reductions in operating expenses of \$10,778 per year. 9) The legislature appropriated an additional \$44,856 in fiscal 1988 and \$45,420 in fiscal 1989 for the program's departmental indirect costs.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: LOTTERY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	35.00	35.00	0.00	35.00	35.00	0.00	35.00
Personal Services	\$0	\$ 857,206	\$ 857,206	\$ 0	\$ 863,417	\$ 863,417	\$ 0	N/A
Operating Expenses	0	3,820,503	4,086,241	265,738	3,779,083	4,098,356	319,273	N/A
Equipment	0	42,000	42,000	0	42,000	42,000	0	N/A
Non-Operating	0	20,290,291	20,024,553	(265,738)	20,415,500	20,096,227	(319,273)	N/A
TOTAL EXPENSES	\$0	\$25,010,000	\$25,010,000	\$ 0	\$25,100,000	\$25,100,000	\$ 0	N/A
PROPRIETARY FUND	\$0	\$25,010,000	\$25,010,000	\$ 0	\$25,100,000	\$25,100,000	\$ 0	N/A

**Program Description:** The Montana State Lottery was created by the electorate through the passage of Referendum 100 during the 1986 general election. The enabling legislation for the lottery became effective on January 1, 1987 and created a Lottery Commission which is responsible for adopting administrative rules related to the lottery. The legislation also authorized appointment of a lottery director who is responsible for overseeing the operations of the Montana lottery. The commission is attached to the Department of Commerce for administrative purposes.

**Budget:** The lottery director will supervise a staff of 34. The current budget proposal includes the director and an administrative assistant, 15.0 FTE working in the marketing of the lottery, 14.0 FTE handling the operations of the lottery, and 4.0 FTE in the security of the lottery. The major operating expenses in the lottery budget are contractual services of \$2,579,933 in fiscal 1988 and \$2,641,185 in fiscal 1989. Advertising is budgeted at \$817,740 per year.

The non-operating expenses included the lottery prizes which by statute will be 45 percent of gross sales. After administrative expenses and prizes, the remainder of the lottery receipts are to be paid quarterly in to the public school retirement equalization account. Included in the fiscal 1988 non-operating appropriation is the repayment to the general fund of the \$1,500,000 start up loan.

Table 4 details the allocation of lottery revenue by percentage and by dollars for the 1989 biennium.



Table 4  
Distribution of Lottery Revenues

	Percent Allocation	Fiscal 1988 Distribution	Fiscal 1989 Distribution
Prizes	45	\$11,254,500	\$11,295,000
Administration	Up to 15	3,734,947	3,748,773
Gen. Fund Loan Repayment	N/A	1,500,000	-0-
Sales Commissions	5	1,250,500	1,255,000
School Retirement System	35	7,270,053	8,801,227
Total	100	\$25,010,000	\$25,100,000

Funding: The lottery will be a self funding operation when it is operational. The referendum which created the lottery provided a general fund loan of \$1,500,000 for start up costs and that loan is to be paid back with interest when the lottery is operational.

Other Legislation:

1. House Bill 374 - redefines the allocation of lottery revenues. When the lottery referendum was adopted, the cost of ticket sales commissions were part of administrative expenses. The revenue allocation for administrative costs was up to 15 percent. This bill specifically excludes ticket sales commissions from administrative expenses. This change reduces the allocation going to the superintendent of public instruction for distribution as equalization aid to the retirement funds, from 40 percent to approximately 35 percent of lottery revenues.

Difference From Executive: Because of the passage of House Bill 374, the funding of the sales commission was added to the operating expenses and reduced the allocation to the school retirement system. This increased operating expenses by \$282,000 in fiscal 1988 and \$335,000 in fiscal 1989. There was an adjustment in the program's indirect charge which is also a difference between the executive budget and legislative action.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: HORSE RACING

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	4.78	4.78	0.00	4.78	4.78	0.00	4.78
Personal Services	\$0	\$113,987	\$113,987	\$ 0	\$113,782	\$113,782	\$ 0	N/A
Operating Expenses	0	131,806	117,315	(14,491)	134,094	119,564	(14,530)	N/A
Equipment	0	9,000	9,000	0	0	0	0	N/A
TOTAL EXPENSES	\$0	\$254,793	\$240,302	\$(14,491)	\$247,876	\$233,346	\$(14,530)	N/A
STATE SPECIAL REVENUE	\$0	\$254,793	\$240,302	\$(14,491)	\$247,876	\$233,346	\$(14,530)	N/A

Program Description: The Board of Horse Racing is responsible for adopting rules to govern horse race meets and the parimutuel system in Montana. The rules adopted govern the licensing of all racing personnel, the establishment of dates for race meets, veterinary practices, and standards in connection with race meets, auditing, supervision, and investigations related to parimutuel racing in Montana.

Legislative Intent: Boilerplate language which will allow the Board of Horse Racing to request a budget amendment for the cost of implementing harness racing in Montana was approved.

Budget: The Board of Horse Racing was part of the Professional and Occupational Licensing Bureau in fiscal 1988. The program is transferred to the Lottery Division. The 4.78 FTE includes an administrative officer, an administrative assistant, an office clerk, and 1.78 FTE for racing stewards, auditors, license clerks, and state security. The operating expenses include contracted services at approximately \$45,000 per year, travel at \$21,320 per year, supplies at \$9,200 per year, communications at \$6,000 per year, and other expenses including indirects at \$36,000 per year.

Funding: The Board of Horse Racing is financed by a 1 percent tax on the gross horse race betting receipts.

Difference From Executive: There was an adjustment in the program's indirect charge which is the difference between the executive budget and legislative action.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: VIDEO POKER

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	7.00	4.00	9.00	5.00	4.00	9.00	5.00	2.00
Personal Services	\$ 95,695	\$ 104,134	\$214,497	\$ 110,363	\$ 104,220	\$214,605	\$ 110,385	124.15
Operating Expenses	24,173	102,386	380,650	278,264	109,947	366,861	256,914	1474.69
Equipment	12,919	6,264	63,264	57,000	781	15,781	15,000	389.70
Non-Operating	0	2,696,605	0	(2,696,605)	2,724,042	0	(2,724,042)	N/A
TOTAL EXPENSES	\$132,787	\$2,909,389	\$658,411	\$12,250,978)	\$2,938,990	\$597,247	\$(2,341,743)	395.84
STATE SPECIAL REVENUE	\$132,787	\$2,909,389	\$658,411	\$(12,250,978)	\$2,938,990	\$597,247	\$(2,341,743)	395.84

Program Description: The Video Poker Program is responsible for the control and regulation of Montana's video poker and electronic keno industries. The program examines and approves machines for operation in the state, licenses machines, and collects license fees. License fee monies are distributed to local and state governments as required by statute.

Budget: The legislature deleted 3.0 FTE which reflects the executive's recommended reduction in this program. The remaining 4.0 FTE will perform video poker licensing functions. One FTE was added to implement House Bill 66. The increase in operating expenses reflects the contractual expenses of \$74,795 in fiscal 1988 and \$120,455 in fiscal 1989, to contract with the Department of Revenue for investigations, an appropriation of \$8,661 in fiscal 1988 and \$8,629 in fiscal 1989 for department indirect charges, and other operating costs increase \$6,500 per year. Four FTE were added to implement House Bill 863. In fiscal 1988, \$353,667 and \$294,299 in fiscal 1989 was added to the budget to implement House Bill 863. House Bill 863 also makes the payment to local units of government from video poker revenues a statutory appropriation.

Equipment includes electronic equipment to compare, test, and evaluate video poker machines and \$57,000 in fiscal 1988 and \$15,000 in fiscal 1989 for electronic keno equipment.

Other Legislation:

1. House Bill 66 - requires the licensing of video poker manufacturers and distributors.

2. House Bill 189 - transferred the program from the Department of Revenue to the Department of Commerce. The bill also maintained the percentage of revenues available for administration at 5 percent.

3. House Bill 863 - implements the licensing and testing of electronic keno machines.

Difference From Executive: There are three changes which the legislature made to the executive budget. All three changes are related to legislation passed by the legislature. 1) House Bill 66 required 1.0 additional FTE and related operating expenses. 2) House Bill 863 added 4.0 FTE, related operating expenses, and equipment. 3) House Bill 863 also made the payment to local governmental units a statutory appropriation which eliminated the non-operating line item.



AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: DIRECTOR'S/MANAGEMENT SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	27.00	25.20	25.20	0.00	25.20	25.20	0.00	-1.80
Personal Services	\$774,662	\$686,117	\$686,117	\$ 0	\$685,731	\$685,731	\$ 0	-11.43
Operating Expenses	195,755	235,247	225,928	(9,319)	162,970	153,979	(8,991)	15.41
Equipment	26,556	4,225	4,225	0	3,142	3,142	0	-84.09
TOTAL EXPENSES	\$996,973	\$925,589	\$916,270	\$ (9,319)	\$851,843	\$842,852	\$ (8,991)	-8.09
FUNDING								
General Fund	\$125,013	\$138,090	\$120,214	\$ (17,876)	\$129,041	\$116,128	\$ (12,913)	-3.84
Proprietary Fund	871,960	787,499	796,056	8,557	722,802	726,724	3,922	-8.70
TOTAL FUNDING	\$996,973	\$925,589	\$916,270	\$ (9,319)	\$851,843	\$842,852	\$ (8,991)	-8.09

Director's Office: The Director's Office provides the department with executive, administrative, and policy guidance. This office acts as the liaison among private business, local governments, administratively attached boards, and the Governor's Office in the effort to improve and stabilize the economic climate in Montana.

Management Services Division: The Management Services Division provides internal support to all agency programs. The services provided include budgeting, accounting, purchasing, contracting, personnel administration, payroll, training, and the analysis, development, maintenance, and supervision of department data processing systems and hardware.

Legal Services: In fiscal 1986 the department reorganized the legal section and transferred an attorney and a paralegal to the Director's Office/Management Service Division. The attorney provides legal advice to department programs and the services are charged to the programs on a per hour basis.

Consumer Affairs: The consumer affairs program responds to consumer complaints as they relate to product quality, price, and promises made by the seller and or manufacture to the consumer. The program is funded by general fund.

Public Contractors: The Department of Commerce determines whether contractors issued public contractor's licenses are residents of the State of Montana. This program is financed by general fund.

Budget: The budget includes the transfer of positions that occurred in the 1987 biennium as the base for the 1989 biennium. Table 5 details the positions transferred and eliminated in the 1987 biennium. The operating expenses include an increase of \$40,964 in audit costs; a \$21,000 increase in repair and maintenance; a \$9,850 reduction in mainframe computer usage; a \$13,307 reduction in indirect charges; and other miscellaneous changes which result in a budget decrease of \$8,900. An executive request for \$2,050 per year of National Governor's Association Council of State Planning dues was denied. The \$975 per year of general fund to support the County Printing Board was eliminated.

In fiscal 1989 the audit costs of \$68,255 are eliminated because the fiscal 1988 appropriation is biennial, computer program development is reduced by \$2,000, and travel is reduced by \$1,400.

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Table 5  
Director's/Management Services  
FTE Changes

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<u>Description</u>	<u>FTE</u>
A. Transfer of a partial position from Professional Licensing and Occupation Bureau	0.50
B. Transfer of a partial position from Office of Economic Analysis	0.50
C. Transfer of one position from Building Codes	1.00
D. Transfer of a partial position to Professional Licensing and Occupational Bureau.	(0.80)
E. Transfer of deputy director position to Board of Housing	(1.00)
F. Transfer of two attorneys - one to POL and one to Local Government Admin.	(2.00)
G. Elimination of one attorney position	(1.00)
H. Modified Position	1.00
Total FTE Changes	<u>(1.80)</u>

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# Modifieds Approved:

1. Accounting Position - An additional accounting position at \$20,151 in fiscal 1988 and \$18,618 in fiscal 1989 was approved. The position would be funded by the department's indirect rate. The position was added because of increased accounting related to the implementation of the Montana lottery.

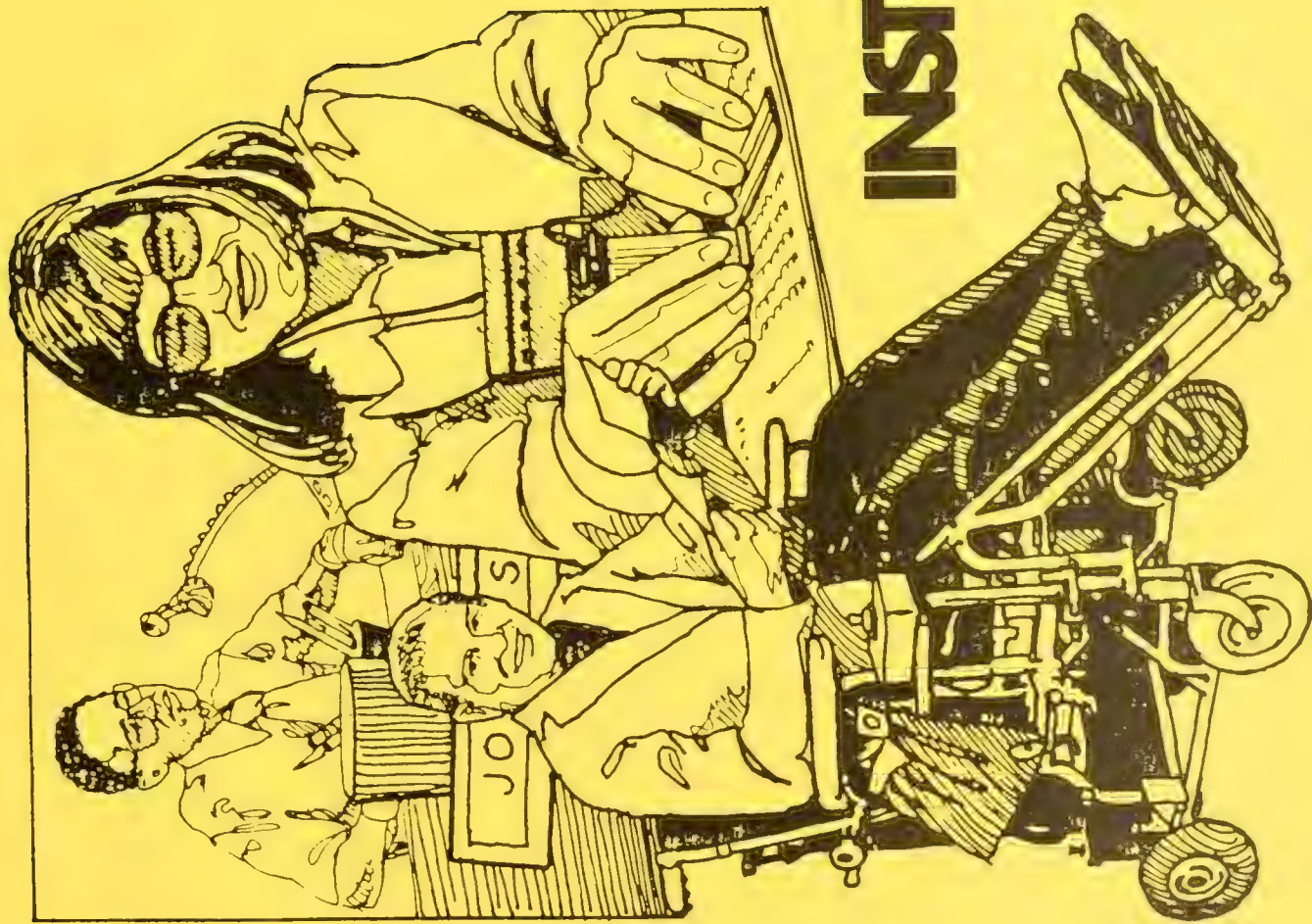
Funding: The Director's Office and the Management Services programs are financed by chargebacks to all of the departmental programs. The cost to each program is based upon a program's personal services cost compared to the department's total personal services. For fiscal 1988 each program is charged 8.3 percent of its personal services costs for its share of the director's office and management services. Table 6 details the funding of the programs in the Director's/Management Services Division.

Table 6  
Directors/Management Service Division

Program	FTE		Fiscal 1988		Fiscal 1989		Other	
			General Fund		General Fund			
Directors Office	4.00		\$	-0-	\$	-0-	\$180,750	
Management Service	15.00			-0-		-0-	441,874	
Legal Service	1.50			-0-		-0-	62,012	
Programmers	1.20			-0-		-0-	42,088	
Consumers Protection	2.50			90,475		88,675	-0-	
Public Contractors	1.00			29,739		27,453	-0-	
Total	25.20			\$120,214		\$116,128	\$726,724	

Difference From Executive: There were six changes which the legislature made to the executive budget. 1) The legislature provided \$6,600 per year for computer maintenance. 2) The legislature did not appropriate \$2,050 per year for association dues. The legislature directed the department to fund the dues with existing resources. 3) The legislature did not fund the lemon law budget amendment as recommended by the executive. This created a difference of \$15,483 in fiscal 1988 and \$10,483 in fiscal 1989. 4) The legislature did not fund the County Printing Board which is a \$975 per year difference from the executive. 5) The legislature appropriated an additional \$4,620 for the legislative audit. 6) There was an adjustment in the program's indirect charge which is a difference between the executive budget and legislative action.





# INSTITUTIONS



AGENCY: DEPARTMENT OF INSTITUTIONS

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	170.50	150.50	150.50	0.00	150.50	150.50	0.00	-20.00
Personal Services	\$ 4,041,999	\$ 3,856,807	\$ 3,982,580	\$125,773	\$ 3,860,974	\$ 3,987,020	\$ 126,046	-1.47
Operating Expenses	3,132,477	3,285,107	3,351,943	66,836	3,269,879	3,209,001	(60,878)	7.01
Equipment	16,082	29,268	47,268	18,000	28,510	5,510	(23,000)	193.92
Non-Operating	6,518,661	6,240,588	6,649,683	409,095	6,192,349	6,601,443	409,094	2.01
TOTAL EXPENSES	\$13,709,219	\$13,411,770	\$14,031,474	\$619,704	\$13,351,712	\$13,802,974	\$ 451,262	2.35
FUNDING								
General Fund	\$10,960,502	\$10,883,707	\$11,129,797	\$246,090	\$10,845,052	\$10,934,668	\$ 89,616	1.54
State Special Revenue	310,747	344,074	347,085	3,011	328,371	327,700	(671)	11.69
Federal Revenue	2,437,970	2,183,989	2,548,314	364,325	2,178,289	2,540,606	362,317	4.53
Other Revenue	0	0	6,278	6,278	0	0	0	N/A
TOTAL FUNDING	\$13,709,219	\$13,411,770	\$14,031,474	\$619,704	\$13,351,712	\$13,802,974	\$ 451,262	2.35

Program Description: The Central Office of the Department of Institutions provides direction and administrative support for the state's institutions and community programs involving corrections, mental health, and alcohol and drug abuse, as well as the institutional programs for the developmentally disabled. Programs within the Central Office are: the Director's Office, Corrections Division, Mental Health and Residential Services Division, Alcohol and Drug Abuse Division, and Management Services Division. Each program will be discussed in the narrative that follows.

Budget: A total of 20 FTE have been deleted from the Central Office. These reductions reflect the actions taken by the department as a result of the cuts from Special Session III in June 1986 and the transfer of juvenile aftercare and youth evaluation to the new Department of Family Services. The FTE deleted are: 1.0 FTE management analyst in the Director's Office, 1.0 FTE trust officer and 1.0 FTE financial investigator in the Management Services Division, 1.0 FTE administrative officer in the Alcohol and Drug Abuse Division, and 1.0 FTE word processor operator, a 1.0 FTE administrative clerk II and a 1.0 FTE file clerk in the Corrections Division. The transfer included 1.0 FTE administrative officer, 6.0 FTE community corrections specialists in aftercare, and 1.0 FTE program officer, 1.0 FTE social worker and 4.0 FTE cottage life attendants in the Youth Evaluation Program.



**Funding:** General fund increases 1.5 percent with the transfer of juvenile aftercare to the Department of Family Services offset by the transfer of all institutional audit costs into the central office. State special revenue, which is alcohol earmarked funds, increases 11.7 percent with the transfer of audit costs to the central office from the state hospital. Federal funds decrease 4.5 percent as available federal block grant funds decline. Proprietary funds increase \$6,278 as audit costs from the prison ranch and industries program are transferred into the central office budget.

Other Legislation:

1. House Bill 325 - created a new Department of Family Services by consolidating youth and aging services previously provided by the Department of Institutions and the Department of Social and Rehabilitation Services. Programs transferred from the Department of Institutions are Mountain View School for girls, Pine Hills School for boys and the juvenile aftercare and youth evaluation programs of the central office. The central office budget in the Department of Institutions is decreased \$378,118 in fiscal 1988 and \$581,033 in fiscal 1989 while the Department of Family Services is increased a like amount.

2. House Bill 870 - requires the department to adjust teachers' salary schedules to increase teachers' salaries at the institutions. The bill provides \$98,667 general fund each year of the biennium to implement the increase. A large portion of the funds will necessarily be transferred to the Department of Family Services as a result of House Bill 325 which moves Mountain View and Pine Hills from the Department of Institutions to the Department of Family Services. The amount transferred will be determined upon completion of the new pay schedules developed by the Department of Institutions as required by House Bill 870.

Differences From Executive: The major differences between the executive budget and the appropriation are: (1) personal services are approximately \$27,000 higher each year of the biennium due to a zero percent salary average rate applied to the women's corrections program compared with 4 percent in the executive budget; (2) the legislature approved the incremental costs of approximately \$2,600 each year for an average daily population of 25 at the women's correctional facility and 10 at the women's pre-release compared with 40 and 10 respectively in the executive budget; (3) the legislature did not approve the executive's budget for additional dental services spending \$40,000 per year in the corrections medical program; (4) the legislature approved the consolidation of all institutional audit costs in the corrections medical program for an increase of \$131,100 over the executive budget; (5) the legislature approved \$5,000 less for equipment than requested by the executive; (6) additional federal block grant funds of \$620,000 became available for appropriation after the executive completed its budget; (7) the legislature appropriated the fiscal 1986 actual level or \$119,729 more general fund for mental health center grants than requested by the executive; and (8) the legislature approved \$98,667 additional general fund each year through House Bill 870 to increase institutional teacher salaries.

AGENCY: DEPARTMENT OF INSTITUTIONS

LEGISLATIVE ACTION

PROGRAM: DIRECTOR'S OFFICE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	10.00	9.00	9.00	0.00		9.00	9.00	0.00		-1.00
Personal Services	\$339,723	\$333,537	\$432,204	\$98,667		\$333,872	\$432,539	\$98,667		27.22
Operating Expenses	41,295	42,473	42,864	391		42,997	43,405	408		3.80
Equipment	766	0	0	0		0	0	0		-100.00
TOTAL EXPENSES	\$381,784	\$376,010	\$475,068	\$99,058		\$376,869	\$475,944	\$99,075		24.43
GENERAL FUND	\$381,784	\$376,010	\$475,068	\$99,058		\$376,869	\$475,944	\$99,075		24.43

Program Description: The Director's Office of the Central Office coordinates and directs the administrative tasks of the Department of Institutions. The director, through his staff and administrative programs of the Central Office, assures the financial solvency and integrity of the department; assures uniform and appropriate personnel, budget, and legal policies and procedures throughout the department; assures that appropriate legal and inmate/patient treatment policies are maintained; and oversees the construction and maintenance programs of the seven institution campuses.

Budget: A 1.0 FTE management analyst was deleted and a 4 percent vacancy savings rate was approved. Operating expenses were approved at current level with the exception of rent which was adjusted for the executive's method of calculation, reducing rent \$1,159 over the biennium.

Difference From Executive: The difference between the executive budget and the appropriation, approximately \$400 each year, is due to repair and maintenance costs for photocopy equipment that were not included in the executive's budget.

The passage of House Bill 870 appropriates \$98,667 general fund each year to the Department to increase teachers' salaries at the institutions. The total funds are included in this program to be distributed by the director to each institution.



AGENCY: DEPARTMENT OF INSTITUTIONS

LEGISLATIVE ACTION

PROGRAM: MANAGEMENT SERVICES DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	30.00	28.00	28.00	28.00	28.00	-2.00
Personal Services	\$675,303	\$678,978	\$ 678,978	\$679,654	\$ 0	0.54
Operating Expenses	140,686	176,562	303,033	143,339	140,985	115.40
Equipment	721	1,050	1,050	1,050	0	45.63
Non-Operating	62,421	62,421	46,816	15,606	0	-25.00
TOTAL EXPENSES	\$879,131	\$919,011	\$1,029,877	\$839,649	\$821,689	17.15
FUNDING						
General Fund	\$875,933	\$912,492	\$1,011,369	\$839,649	\$821,689	15.46
State Special Revenue	42	819	4,521	0	0	10,764.29
Federal Revenue	3,156	5,700	7,709	0	0	71.98
Other Revenue	0	0	6,278	0	0	N/A
TOTAL FUNDING	\$879,131	\$919,011	\$1,029,877	\$839,649	\$821,689	17.15

Program Description: The Management Services Division of the Central Office provides technical assistance to the institutions in budgeting, accounting, and other management areas. The Reimbursement Field Section is responsible for billing and collecting for services provided to residents in the state's institutions. The Information and Systems Bureau is responsible for coordinating data processing projects within the department.

Budget: A 1.0 FTE reimbursement trust officer and a 1.0 FTE financial investigator were deleted. A 4 percent vacancy savings rate was approved for this program. All the department's audit costs were consolidated into this division. This action increases contracted services \$151,160 in fiscal 1988 for this program while it reduces these costs from all other agencies within the department by an equal amount. The grounds maintenance costs for the central office of \$4,870 in fiscal 1988 and \$4,425 in fiscal 1989 were consolidated within this program. Equipment costs of \$1,050 each year of the biennium were approved for the purchase of typewriters.



Funding: With the exception of audit fees, this program is entirely funded from the general fund. The audit fees are funded with a biennial appropriation of \$143,932 general fund, \$4,521 state special revenue, \$7,709 federal, and \$6,278 of proprietary funds.

Difference From Executive: The major difference between the executive budget and the appropriation results from the consolidation of audit costs for all the institutions within this program. The regular audit costs increase \$133,720 for the biennium as a result of the consolidation. The institutions' budgets have been reduced a like amount. An additional \$12,440 of indirect costs were added for the statewide audit. Non-operating costs are \$15,605 less in fiscal 1988 and \$15,606 less in fiscal 1989 due to earlier than expected payoff of the department's lease purchase agreement for computer hardware.

AGENCY: DEPARTMENT OF INSTITUTIONS

LEGISLATIVE ACTION

PROGRAM: ALCOHOL AND DRUG ABUSE DIVISION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	10.00	9.00	9.00	0.00	9.00	9.00	0.00	-1.00
Personal Services	\$ 261,586	\$ 256,906	\$ 256,906	\$ 0	\$ 257,235	\$ 257,235	\$ 0	-1.79
Operating Expenses	106,047	104,838	104,147	(691)	89,625	88,954	(671)	-1.79
Equipment	3,563	3,000	3,000	0	3,000	3,000	0	-15.80
Non-Operating	1,239,715	1,133,024	1,483,511	350,487	1,133,024	1,483,511	350,487	19.67
TOTAL EXPENSES	\$1,610,911	\$1,497,768	\$1,847,564	\$349,796	\$1,482,884	\$1,832,700	\$349,816	14.69
FUNDING								
General Fund	\$ 215,200	\$ 215,200	\$ 215,200	\$ 0	\$ 215,200	\$ 215,200	\$ 0	0.00
State Special Revenue	310,530	342,255	341,564	(691)	327,371	326,700	(671)	9.99
Federal Revenue	1,085,181	940,313	1,290,800	350,487	940,313	1,290,800	350,487	18.95
TOTAL FUNDING	\$1,610,911	\$1,497,768	\$1,847,564	\$349,796	\$1,482,884	\$1,832,700	\$349,816	14.69

Program Description: The Alcohol and Drug Abuse Division's (ADAD) role is to administer chemical dependency programs and distribute state funds to certified community programs. The division approves treatment facilities and programs, certifies and establishes standards for chemical dependency counselors, plans and provides training for approved programs, and prepares a long-term state chemical dependency plan.

Budget: A 1.0 FTE administrative officer position was deleted and a 4 percent vacancy savings rate was approved. This action saves state special revenue alcohol earmarked funds of \$25,205 in fiscal 1988 and \$25,196 in fiscal 1989. Current level operating expenses were approved with the exception of travel and rent, where the executive recommendation was \$1,931 lower in fiscal 1988 and \$1,834 lower in fiscal 1989. Substance abuse films costing \$3,000 each year were approved for the state film library maintained by the Department of Health.

Grants of \$1,483,511 each year were approved to maintain current level drug and alcohol grants to community programs around the state. These grants consist of \$215,200 each year of general fund for approved drug programs and \$1,268,311 of federal Alcohol, Drug Abuse, and Mental Health Services Block Grant (ADMS).

Funding: As Table 1 shows, the Alcohol and Drug Abuse Division is funded from the state special revenue alcohol earmarked account, \$341,564 in fiscal 1988 and \$326,700 in fiscal 1989, federal SSI funds of \$22,489 each year, general fund of \$215,200 each year of the biennium, and federal ADMS block grant funds of \$1,268,311 each year of the biennium.

Table 1  
Alcohol and Drug Abuse Division Funding

	Actual 1986	Approp. 1987	Fiscal 1988	Fiscal 1989
Administration				
Alcohol Funds	\$ 310,530	\$ 331,347	\$ 341,564	\$ 326,700
Federal Funds	60,666	31,217	22,489	22,489
Total Administration	<u>\$ 371,196</u>	<u>\$ 362,564</u>	<u>\$ 364,053</u>	<u>\$ 349,189</u>
Grants				
General Fund	\$ 215,200	\$ 208,612	\$ 215,200	\$ 215,200
Alcohol Funds County Distribution*	1,574,708	1,589,771	1,395,964	1,302,714
Federal Funds	<u>1,024,515</u>	<u>1,053,034</u>	<u>1,268,311</u>	<u>1,268,311</u>
Total Grants	<u>\$2,814,423</u>	<u>\$2,851,417</u>	<u>\$2,879,475</u>	<u>\$2,786,225</u>

\*The Alcohol earmarked funds for county distribution are appropriated in statute in Section 53-24-206, MCA.

Difference From Executive: The major difference between the executive budget and the appropriation are: (1) the executive did not use an estimated fiscal 1987 fund balance of \$52,341 available to carry forward into the 1989 biennium; and (2) the executive did not include two additional federal grant awards, \$21,741 drug enforcement funds added to the ADMS block grant and \$626,892 for a one-time Alcohol and Drug Abuse Treatment and Rehabilitation block grant, that became available after the executive completed the budget.



LEGISLATIVE ACTION

PROGRAM: CORRECTIONS DIVISION ADMINISTRATION

AGENCY: DEPARTMENT OF INSTITUTIONS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	91.50	75.50	75.50	0.00		75.50	75.50	0.00		-16.00
Personal Services	\$2,103,010	\$1,859,053	\$1,859,053	\$ 0		\$1,859,669	\$1,859,669	\$ 0		-11.60
Operating Expenses	1,747,906	1,768,575	1,768,575	0		1,780,399	1,780,399	0		1.18
Equipment	10,556	22,000	40,000	18,000		23,000	0	(23,000)		278.93
Non-Operating	2,727	2,965	2,965	0		1,541	1,541	0		8.73
TOTAL EXPENSES	\$3,864,199	\$3,652,593	\$3,670,593	\$18,000		\$3,664,609	\$3,641,609	\$(23,000)		-5.01
FUNDING										
General Fund	\$3,860,810	\$3,648,793	\$3,669,593	\$20,800		\$3,660,809	\$3,640,609	\$(20,200)		-4.95
State Special Revenue	175	1,000	1,000	0		1,000	1,000	0		471.43
Federal Revenue	3,214	2,800	0	(2,800)		2,800	0	(2,800)		-100.00
TOTAL FUNDING	\$3,864,199	\$3,652,593	\$3,670,593	\$18,000		\$3,664,609	\$3,641,609	\$(23,000)		-5.01

**Program Description:** The Corrections Division Administration provides coordination, supervision, and support to the correctional programs of the state. These programs include Montana State Prison, Swan River Forest Camp, Women's Correctional Facility, pre-release centers in Billings, Missoula, Great Falls, and Butte, Parole and Probation, and the Corrections Medical Program. Pine Hills School, Mountain View School, the Youth Evaluation Program, and Juvenile Aftercare have been transferred out of this division into the Department of Family Services.

**Budget:** The transfer of 13.0 FTE and associated operating and program costs to the new Department of Family Services was approved. This action reduced the Corrections Division by \$579,944 in fiscal 1988 and \$579,834 in fiscal 1989. This transfer moves the Youth Evaluation Program and Juvenile Aftercare Program to the control of the new department. A 1.0 FTE word processor operator and 2.0 FTE administrative clerk II's in the administration program have been deleted after the program used these positions to meet the budget cuts required by Special Session III. A 4 percent vacancy savings rate was approved for the programs that remain in the Corrections Division. Parole and probation personal services increase approximately \$19,000 each year after the Board of Personnel Appeals upgraded 9.0 FTE secretarial and clerical positions.

Operating expenses of the division increase \$7,746 after transferring costs to the Department of Family Services. This increase is primarily increased insurance fees charged by the Department of Administration.

Table 2 reflects the approved current level costs for the three contract pre-release centers. The contract cost, board and room, is the adjusted contract amount based on the fiscal 1987 contracts adjusted for base reductions of \$21,392 and one additional federal boarder in each center which reduces the contracts \$14,799 as recommended in the Governor's budget. In addition to the contracts, the department pays for psychological services, Emit supplies for testing the inmates for drugs, certain personal items, and utilities. As the table shows, the total contract pre-release center costs are \$1,051,532. This compares with a total cost of \$1,062,717 in fiscal 1986.

Table 2  
Total Current Level Cost of Pre-Release Centers at 25 Average Daily Population  
Fiscal 1988

	<u>Billings Pre-Release</u>	<u>Butte Pre-Release</u>	<u>Great Falls Pre-Release</u>	<u>Total</u>
Total Average Days Cost Per Day	9,125 \$36.07	9,125 \$35.64	9,125 \$37.88	27,375 \$36.53
Contract Cost (Board and Room)	\$329,121	\$325,203	\$345,625	\$ 999,949
Add: Psychological Emit Supplies Personal Items Utilities	\$ 548 6,466 338 <u>7,318</u>	\$ 548 6,466 338 <u>11,832</u>	\$ 548 6,466 338 <u>10,377</u>	\$ 1,644 19,398 1,014 <u>29,527</u>
Total	<u>\$343,791</u>	<u>\$344,387</u>	<u>\$363,354</u>	<u>\$1,051,532</u>
Total Cost Per Day	\$37.68	\$37.74	\$39.82	\$38.41

A biennial appropriation of \$40,000 was approved for the purchase of equipment. The amount is not tied to any specific items but is left to the discretion of the department.

Modifieds Approved:

1. Pre-Release Expansion - A modified to expand the populations at the three contract men's pre-release centers by 20 average daily population was approved. This modified adds \$282,857 of general fund each year of the biennium.

The current level budgeted population is 25 ADP per center. The approved modified adds 5 ADP to Billings and Butte pre-release centers and 10 ADP to the Great Falls pre-release center.

Funding: The corrections division is funded entirely from the general fund with the exception of \$1,000 of donations each year of the biennium.

Other Legislation:

1. House Bill 325 - consolidates youth services previously administered by this program into the new Department of Family Services. Juvenile aftercare and the youth evaluation program, previously integral parts of this budget, were transferred along with Mountain View School and Pine Hills School. A total of 13.0 FTE and the associated operating costs were reduced from this budget and added to the Department of Family Services. General fund of approximately \$500,000 per year and interest and income funds of \$2,800 per year were transferred from this program to the new department.

Difference From Executive: The differences between the executive budget and the appropriation are: (1) the legislature approved \$5,000 less equipment for the biennium than requested; and (2) the legislature appropriated the interest and income funds of \$2,800 each year in the Department of Family Services aftercare program rather than in this program.



AGENCY: DEPARTMENT OF INSTITUTIONS

LEGISLATIVE ACTION

PROGRAM: WOMEN'S CORRECTIONAL PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	24.00	24.00	24.00	0.00	24.00	24.00	0.00	0.00
Personal Services	\$490,164							
Operating Expenses	176,861	\$542,787	\$569,807	\$ 27,020	\$545,262	\$572,555	\$ 27,293	16.25
Equipment	0	223,127	209,451	(13,676)	228,894	214,814	(14,080)	18.43
Non-Operating	791	3,218	3,218	0	1,460	1,460	0	N/A
		0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$667,816	\$769,132	\$782,476	\$ 13,344	\$775,616	\$788,829	\$ 13,213	17.17
GENERAL FUND	\$667,816	\$769,132	\$782,476	\$ 13,344	\$775,616	\$788,829	\$ 13,213	17.17

Program Description: The Women's Correctional Program consists of three components. The Women's Correctional Facility at the Warm Springs Campus of the Montana State Hospital is a minimum to medium security facility for Montana's women offenders requiring incarceration. The Billings Life Skills Pre-release Center located in Billings is a state operated pre-release center with a capacity for 12 women inmates. The third component of the women's program is the housing of women in out-of-state prisons because of their security classification or in in-state housing pending placement. The Women's Correctional Facility was budgeted in fiscal 1986 for an average daily population (ADP) of 25 inmates, the Billings Life Skills Pre-release Center was budgeted for an ADP of 8, and funds were included for one out-of-state placement. The fiscal 1986 average daily population was 30.5 at the Women's Correctional Facility, 10 at the Billings Life Skills Pre-release Center, and no women out-of-state.

Budget: Current level personal services with a zero vacancy savings rate are continued. The current level operating expenses were approved with adjustments to reflect an average daily population of 35 at the Women's Prison and 10 at the women's pre-release center. This is an increase of 5 average daily population at the Women's Prison. The variable costs are \$2,400 per inmate at the Women's Prison. This adjustment, including inflation, adds \$12,820 in fiscal 1988 and \$13,251 in fiscal 1989. The legislature approved out-of-state placements of inmates at 180 days and in-state placements in local jails at 90 days.

Equipment of \$3,218 in fiscal 1988 and \$1,460 in fiscal 1989 was approved.

The table below presents the totals approved for the three components of the Womens' Correction Program and compares the 1989 biennium amounts to the fiscal 1986 actual expended amounts.

Table 3  
Three Components of the Women's Corrections Program

Components	Fiscal 1986	Fiscal 1988	Fiscal 1989	% Increase 1986-1988
Billings Pre-Release	\$189,177	\$202,808	\$203,507	7.21
Miscellaneous Jails	1,564	13,412	13,412	757.54
Womens' Correctional Center	477,075	566,256	571,910	18.69
Total	<u>\$667,816</u>	<u>\$782,476</u>	<u>\$788,829</u>	<u>17.17</u>

Funding: This program is funded entirely with general fund.

Difference From Executive: The major differences between the executive budget and the appropriation are: (1) the legislature approved a zero percent vacancy savings to allow the women's correctional center to fully staff all three shifts for a cost of approximately \$27,000 per year; and (2) the legislature approved an increase of 5 average daily population rather than the 10 requested by the executive for a difference of approximately \$13,000 per year.

AGENCY: DEPARTMENT OF INSTITUTIONS

LEGISLATIVE ACTION

PROGRAM: CORRECTIONAL MEDICAL PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1986		Fiscal 1987		Fiscal 1988		Fiscal 1989		FY 86-88 % Change	
		Executive	Difference	Executive	Difference	Executive	Difference	Executive	Difference		
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
OPERATING EXPENSES	\$848,214	\$912,229	\$(45,115)	\$928,572	\$(45,115)	\$883,457	\$(45,115)				
GENERAL FUND	\$848,214	\$912,229	\$(45,115)	\$928,572	\$(45,115)	\$883,457	\$(45,115)				

**Program Description:** The 1983 legislature authorized the consolidation of medical costs for the Prison, Swan River Forest Camp, Pre-release Centers, the Women's Correctional Program, the Aftercare Program, and parole violators being held for revocation hearings. The intent was to pool appropriations within the Corrections Division to provide flexibility among the programs and avoid unforeseen burdens on any one program budget due to medical costs. The total budgeted average daily population to be served by this budget was 1,096 for a budgeted cost of \$553.17 per inmate for the 1987 biennium. The actual population served in fiscal 1986 was 1,266 average daily population at a cost of \$669.94 per inmate. The population was 15.5 percent more than budgeted while cost per inmate was 21.1 percent more than budgeted.

**Budget:** The budget transfers the costs associated with Mountain View School and Pine Hills School to the new Department of Family Services. This action reduces the Corrections Medical budget \$62,247 each year of the biennium. The current level for the 1989 biennium is based on an average daily population of 1,108 inmates in the department's custody at an average cost per inmate of \$731.92. This level of funding includes an additional \$25,000 per year to contract with a physician to increase coverage at the prison 20 hours per week. The prison currently has one full-time physician on staff.

**Modifieds Approved:**

1. Population Increase - A modified request was approved to add the costs for the additional populations added at the prison and the Women's Prison to the current level. The total average population increase is 66 in fiscal 1988 for a cost of \$56,147 and 88 in fiscal 1989 for a cost of \$72,490.

**Difference From Executive:** The major difference between the executive budget and the appropriation is that the legislature did not approve the request for additional dental services costing approximately \$45,000 per year.



AGENCY: DEPARTMENT OF INSTITUTIONS

LEGISLATIVE ACTION

PROGRAM: MENTAL HEALTH AND RESIDENTIAL SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	5.00	5.00	5.00	0.00	5.00	5.00	0.00	0.00
Personal Services	\$ 172,213	\$ 185,546	\$ 185,632	\$ 86	\$ 185,282	\$ 185,368	\$ 86	7.79
Operating Expenses	71,468	57,303	56,759	(544)	56,053	56,986	934	-20.58
Equipment	476	0	0	0	0	0	0	-100.00
Non-Operating	5,213,007	5,042,178	5,116,391	74,213	5,042,178	5,116,392	74,213	-1.85
TOTAL EXPENSES	\$5,457,164	\$5,285,027	\$5,358,782	\$73,755	\$5,283,513	\$5,358,746	\$75,233	-1.80
FUNDING								
General Fund	\$4,110,745	\$4,049,851	\$4,108,977	\$59,126	\$4,048,337	\$4,108,940	\$60,603	-0.04
Federal Revenue	1,346,419	1,235,176	1,249,805	14,629	1,235,176	1,249,806	14,630	-7.18
TOTAL FUNDING	\$5,457,164	\$5,285,027	\$5,358,782	\$73,755	\$5,283,513	\$5,358,746	\$75,233	-1.80

**Program Description:** The Mental Health and Residential Services Division provides administrative supervision and coordination for the institutional and community programs for the mentally ill, developmentally disabled, and veterans and geriatrics with emotional problems. Community-based services for the mentally ill are provided through contracts administered by the Mental Health Division with the five private non-profit, regional community mental health centers (CMHC). The division contracts for inpatient, emergency, day treatment, transitional living, community living support, outpatient, and prevention services. Funding for these programs comes from the general fund, federal block grant funds, medicaid, participating counties' general funds, and private reimbursement.

**Budget:** Personal services were approved with a 4 percent vacancy savings rate. Operating expenses were reduced \$2,707 each year of the biennium for education and training costs of administrative and treatment staff of the mental health institutions. Travel costs were reduced \$2,979 each year of the biennium. Rent costs were decreased \$568 for the biennium based on the executive recommended rent. Professional contracts were reduced \$4,472 for mental health professionals to conduct mental health center audits and \$4,500 for one-time appraiser fees associated with the sale of the Youth Treatment Center.

Grants were approved at a level that is 1.6 percent below the 1987 biennium actual and appropriated levels. These grants are for the purchase of mental health services for state eligible clients from the five regional community mental health centers. These grants consist of general fund of \$3,866,586 each year of the biennium and federal Alcohol, Drug Abuse, and Mental Health Services Block Grant (ADMS) funds of \$1,249,805 in fiscal 1988 and \$1,249,806 in fiscal 1989. Table 4 shows the state general fund and federal block grant funds in support of mental health centers for the 1987 and 1989 bienniums.

Table 4  
State and Federal Funding for Mental Health Centers

	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
General Fund	\$3,866,588	\$3,959,542	\$3,866,586	\$3,866,586	(1.2)
Federal Block Grant	1,346,419	1,235,176	1,249,805	1,249,806	(3.3)
Total	<u>\$5,213,007</u>	<u>\$5,194,718</u>	<u>\$5,116,391</u>	<u>\$5,116,392</u>	<u>(1.7)</u>

Funding: As presented in Table 4 above, general fund for grants decreases 1.2 percent from the 1987 biennium to the 1989 biennium. General fund approved for grants remains at the fiscal 1986 expended level of \$3,866,588 while general fund in support of the division administration decreases 0.72 percent from the fiscal 1986 expended level of \$244,157 to \$242,391 in fiscal 1988 and \$242,354 in fiscal 1989. Federal block grant funds decrease 3.2 percent into the 1989 biennium as one-time carryover funds are spent in the 1987 biennium. All available ADMS block grant funds are included at \$1,249,805 in fiscal 1988 and \$1,249,806 in fiscal 1989. The following table shows the ADMS block grant available to the mental health division for contracting with the mental health centers.

Table 5  
Alcohol, Drug Abuse, and Mental Health Block Grant  
Mental Health (57.37%)

	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989
<b>FUNDS AVAILABLE</b>						
Balance Carried Forward	\$ 640,452	\$ 408,746	\$ 114,017	\$ 2,774	\$ -0-	\$ 14,630
State Fiscal Year Block Grant	1,219,973	1,235,176	1,235,176	1,235,176	1,235,176	1,235,176
One-time 6% Administration Grant	-0-	-0-	-0-	-0-	29,259	-0-
Total Block Grant Available	\$1,860,425	\$1,643,922	\$1,349,193	\$1,237,950	\$1,264,435	\$1,249,806
<b>EXPENDITURES</b>						
Operating Expenses	\$ 179,133	\$ 198,573	\$ -0-	\$ 2,774	\$ -0-	\$ -0-
Non-Operating Expenses	1,272,546	1,331,332	1,346,419	1,235,176	1,249,805	1,249,806
Total Expenditures	\$1,451,679	\$1,529,905	\$1,346,419	\$1,237,950	\$1,249,805	\$1,249,806
Balance to Carry Forward	\$ 408,746	\$ 114,017	\$ 2,774	\$ -0-	\$ 14,630	\$ -0-

Difference From Executive: The major differences between the executive budget and the appropriation are: (1) the legislature approved the fiscal 1986 actual level or approximately \$60,000 more general fund each year for contracts with the mental health centers than requested by the executive; and (2) the legislature appropriated an additional one-time federal grant of \$29,259 for the biennium which became available after the executive budget was completed.



AGENCY: MONTANA STATE PRISON

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	365.28	406.06	406.06	0.00	406.06	406.06	0.00	40.78
Personal Services	\$ 8,460,553	\$10,515,359	\$10,548,348	\$ 32,989	\$10,626,161	\$10,659,739	\$ 33,578	24.68
Operating Expenses	4,710,308	5,256,542	5,363,893	107,341	5,534,923	5,586,327	51,404	13.88
Equipment	63,806	105,850	244,645	138,795	121,854	297,300	175,446	283.42
TOTAL EXPENSES	\$13,234,667	\$15,877,751	\$16,156,876	\$279,125	\$16,282,938	\$16,543,366	\$260,428	22.08
FUNDING								
General Fund	\$10,410,164	\$12,756,670	\$12,735,624	\$21,046	\$12,963,206	\$12,965,505	\$ 2,299	22.34
State Special Revenue	786,090	1,035,720	1,135,745	100,025	1,124,809	1,247,541	122,732	44.48
Federal Revenue	125,542	119,851	157,137	37,286	120,047	129,102	9,055	25.17
Other Revenue	1,912,871	1,965,510	2,128,370	162,860	2,074,876	2,201,218	126,342	11.27
TOTAL FUNDING	\$13,234,667	\$15,877,751	\$16,156,876	\$279,125	\$16,282,938	\$16,543,366	\$260,428	22.08

Program Description: The Montana State Prison provides low, high, and maximum security for Montana's male inmate population. In addition, the prison provides work, education, and training for inmates through the ranch and dairy operation, the Industries Program, and the Industries Training Program. The prison has a design capacity of 741 inmates; with an average daily population of 925 in the first four months of fiscal 1987, inmates are double bunking in Close I and II units.

The fiscal 1988 budget increases 22.1 percent over fiscal 1986. This increase is due to full staffing of the prison now that the expansion is complete plus increases in employee benefit costs resulting from increases in the workers' compensation rates and the approval of the population expansion modification. Operating costs increase for inflation, growth in the Industries Program annual output, aluminum purchases for the license plate factory, and utility costs at the newly completed Industries Training Program building.

The prison budget has six programs: Care and Custody, the Ranch and Dairy, the License Plate Factory, the Canteen, Industries, and Industries Training.

AGENCY: MONTANA STATE PRISON

LEGISLATIVE ACTION

PROGRAM: CARE AND CUSTODY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	340.53	382.31	382.31	0.00	382.31	382.31	0.00	41.78
Personal Services	\$ 7,736,005	\$ 9,661,740	\$ 9,661,011	\$ (729)	\$ 9,765,265	\$ 9,764,850	\$ (415)	24.88
Operating Expenses	2,663,675	3,039,799	3,048,663	8,864	3,158,072	3,157,970	(102)	14.45
Equipment	32,264	25,000	25,000	0	25,000	25,000	0	-22.51
TOTAL EXPENSES	\$10,431,944	\$12,726,539	\$12,734,674	\$ 8,135	\$12,948,337	\$12,947,820	\$ (517)	22.07
FUNDING								
General Fund	\$10,262,154	\$12,580,343	\$12,562,609	\$ (17,734)	\$12,802,141	\$12,801,624	\$ (517)	22.42
State Special Revenue	51,423	51,424	51,424	0	51,424	51,424	0	0.00
Federal Revenue	118,367	94,772	120,641	25,869	94,772	94,772	0	1.92
TOTAL FUNDING	\$10,431,944	\$12,726,539	\$12,734,674	\$ 8,135	\$12,948,337	\$12,947,820	\$ (517)	22.07

**Program Description:** The Care and Custody unit includes the housing, security, general operations, and administration of the prison. The prison care and custody was authorized 340.53 FTE in fiscal 1986 to staff the expanded prison facilities which were expected to open in January 1986. The expansion was not completed and ready for occupancy in fiscal 1986; however, due to population increases during the fiscal year some of the positions were filled. The prison used \$253,986 of the expansion funding to cover a deficit in the regular general fund appropriation. The 1985 legislature authorized 379.78 FTE for fiscal 1987 to staff the expanded prison.

**Budget:** To meet the pay plan shortfall in fiscal 1987, 3.87 FTE were deleted from the 379.78 authorized FTE. These FTE reductions were continued, saving approximately \$108,476 each year of the 1989 biennium. A vacancy savings rate of 1.68 percent was applied to prison guards while a 4 percent factor is applied to non-security staff.

Operating expenses increase 14.5 percent primarily due to the population expansion modification, increases of \$40,503 each year for insurance fees charged by the Department of Administration, and utility costs for the new facilities costing an additional \$29,499 for natural gas and \$42,435 for electricity. Professional contracts increase \$7,624, psychological contracts increase \$2,624, and reimbursements for maintenance of phones in custody staff homes



increase from 156 reimbursements at \$120 per year to 198 reimbursements or an increase of \$5,000. Repair and maintenance costs are increased \$27,178 for the expanded facilities. The remaining increases are due to inflation. The staffing and operating expenses are included at a level to support an average daily population of 968 inmates in fiscal 1988 and 990 in fiscal 1989.

Equipment of \$25,000 each year of the biennium was approved to be spent at the department's discretion.

Modifieds Approved:

1. Population Increase - A modified request to add staff and operating expenses for an estimated increase in the average daily population was approved costing \$229,195 in fiscal 1988 and \$268,195 in fiscal 1989. This action adds 4 posts or 6.4 FTE correctional officers and the variable operating costs for 61 additional inmates in fiscal 1988 and 83 additional inmates in fiscal 1989. The total population is estimated to reach 968 in fiscal 1988 and 990 in fiscal 1989.
2. NIC Grant - A modified request was also approved to allow the prison to expend a \$25,000 grant from the National Institute of Corrections to provide training to staff on the intensive treatment unit.
3. Federal Boarder Contract Improvement Funds - This modified request allows the prison to expend a fund balance from federal boarder contract improvement funds of \$869 on recreational supplies in fiscal 1988.

Funding: Prison care and custody is funded primarily from general fund. State special revenue alcohol earmarked funds are included at \$51,424 each year to fund 2.0 FTE alcohol counselors. Federal funds include \$14,975 each year for adult basic education, \$3,204 each year for ECIA Title I funds, \$504 each year for ECIA Title II funds, and \$76,089 each year for federal boarder reimbursement. Modifieds 2 and 3 were approved adding a total of \$25,869 in fiscal 1988.

Difference From Executive: The differences between the executive budget and the appropriation are: (1) the biennial audit costs of \$16,931 are appropriated in the central office rather than in the prison budget; (2) the legislature approved two modifications, a \$25,000 National Institute of Corrections grant and \$869 federal boarder contract improvement funds, that were not included in the executive budget.



AGENCY: MONTANA STATE PRISON

LEGISLATIVE ACTION

PROGRAM: RANCH AND DAIRY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	15.75	12.75	12.75	0.00	12.75	12.75	0.00	-3.00
Personal Services	\$ 378,665	\$ 422,916	\$ 440,537	\$ 17,621	\$ 426,952	\$ 444,742	\$ 17,790	16.34
Operating Expenses	827,443	604,738	600,443	(4,295)	677,263	606,094	(71,169)	-27.43
Equipment	25,073	50,000	187,500	137,500	50,000	226,900	176,900	647.82
TOTAL EXPENSES	\$1,231,181	\$1,077,654	\$1,228,480	\$150,826	\$1,154,215	\$1,277,736	\$123,521	-0.22
OTHER REVENUE	\$1,231,181	\$1,077,654	\$1,228,480	\$150,826	\$1,154,215	\$1,277,736	\$123,521	-0.22

Program Description: The prison ranch and dairy provides work and training for inmates. The ranch provides milk, cottage cheese, and ice cream to the other institutions. The slaughter house is used for training inmates and providing meat for the prison only.

Budget: Personal services have been decreased 3.0 FTE for the butcher and meatcutter positions eliminated with the closure of the slaughter house operation. A zero vacancy savings rate was approved for this program increasing costs by approximately \$15,000 each year. Personal service costs increase \$52,334 each year as inmate pay is budgeted in personal services in the 1989 biennium instead of in operating expenses as was done previously. Operating costs have been decreased \$2,036 for audit costs which have been transferred to the Department of Institutions Central Office. Other decreases of \$165,699 are made for required depreciation entries that have no cash effect. Hay costs are reduced \$58,582 as the ranch expects hay production to be higher in the 1989 biennium. Equipment is included at the ranch's requested level of \$176,100 in fiscal 1988 and \$215,500 in fiscal 1989 to replace agricultural equipment, ranch trucks, and dairy equipment plus \$10,000 for breeding bulls and \$1,400 for saddle horses each year.

Funding: This program is self-supporting from revenue it earns on the sale of its products.

Difference From Executive: The major differences between the executive budget and the appropriation are: (1) a zero percent vacancy savings was applied compared with a 4 percent rate in the executive budget; (2) the executive had a keypunch error in fiscal 1989 operating expenses of \$70,000; and (3) the legislature appropriated the agency's request for equipment which exceeded the executive's budget.

AGENCY: MONTANA STATE PRISON

LEGISLATIVE ACTION

PROGRAM: LICENSE PLATE FACTORY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	2.00	2.00	2.00	0.00	2.00	2.00	0.00	0.00
Personal Services	\$ 67,482	\$ 69,827	\$ 72,736	\$ 2,909	\$ 70,501	\$ 73,439	\$ 2,938	7.79
Operating Expenses	262,719	384,572	411,585	27,013	395,418	422,678	27,260	56.66
Equipment	453	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$330,654	\$454,399	\$484,321	\$29,922	\$465,919	\$496,117	\$30,198	46.47
STATE SPECIAL REVENUE	\$330,654	\$454,399	\$484,321	\$29,922	\$465,919	\$496,117	\$30,198	46.47

Program Description: The License Plate Factory at Montana State Prison manufactures licenses for the State of Montana. This program is not one of the prison industries enterprises. The funding for this program comes from Motor Vehicle fees from the Department of Justice.

Budget: A zero vacancy savings rate was applied to this budget. Operating expenses were approved to allow the manufacture of 392,000 large plates and 34,000 small plates each year of the 1989 biennium. The program has been operating on existing inventories of aluminum for the last two bienniums. However, new inventory must be purchased in the 1989 biennium to maintain the 1988 level of production. Additional supplies were approved totaling \$127,121 each year of the biennium. In addition this level of funding allows the manufacture of centennial plates. Also approved was funding of \$20,000 in fiscal 1988 and \$30,000 in fiscal 1989 for major maintenance of the manufacturing equipment.

Funding: Funding is provided from the motor vehicle state special revenue account through the Department of Justice. Excess funds in the motor vehicle account are used to replace general fund in the Department of Justice programs. The more funds spent in the license plate factory, the less there is to allocate to general fund operations in the Department of Justice.

Difference From Executive: The major differences between the executive budget and the appropriation are: (1) a zero percent vacancy savings is applied compared with a 4 percent rate in the executive budget; and (2) additional supplies for license plate production of approximately \$27,000 per year were appropriated.



AGENCY: MONTANA STATE PRISON

LEGISLATIVE ACTION

PROGRAM: PRISON INDUSTRIES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	4.25	5.25	5.25	0.00	5.25	5.25	0.00	1.00
Personal Services	\$169,421	\$200,371	\$208,723	\$ 8,352	\$201,848	\$210,260	\$ 8,412	23.20
Operating Expenses	366,890	453,178	450,088	(3,090)	450,535	446,243	(4,292)	22.68
Equipment	(198)	19,500	19,500	0	46,854	45,400	(1,454)	100.00
TOTAL EXPENSES	\$536,113	\$673,049	\$678,311	\$ 5,262	\$699,237	\$701,903	\$ 2,666	26.52
PROPRIETARY FUNDS	\$536,113	\$673,049	\$678,311	\$ 5,262	\$699,237	\$701,903	\$ 2,666	26.52

**Program Description:** The Prison Industries Program provides work opportunities for the inmates to prevent idleness, trains inmates in job skills and work habits, and provides products and services to public agencies. The program includes furniture manufacturing, furniture refinishing and restoration, upholstery, sign manufacturing, printing, logging, post and pole operations, and jack-leg fence construction. In compliance with House Bill 462 (L.1985), new furniture sales to other state agencies are sold through licensed wholesale or retail furniture outlets.

**Budget:** The industries program costs increase 26.5 percent from fiscal 1986 to fiscal 1988 based on anticipated sales increases over the fiscal 1986 level and the addition of a shop supervisor in the approved modified. The program received \$108,170 of budget amendment authority for expanded operations in fiscal 1986 and used \$99,124 of the authority. This growth in sales trend is expected to continue into the 1989 biennium. Personal services increases 23.2 percent as a zero vacancy savings rate was applied and inmate pay of \$42,955 each year is included in personal services, while it was budgeted in operating expenses in the 1987 biennium, and a 1.0 FTE shop supervisor was added with the approved modified.

**Modifieds Approved:**

1. Shop Supervisor - A 1.0 FTE shop supervisor costing \$26,127 in fiscal 1988 and \$26,330 in fiscal 1989 was approved. The position is funded with the program's proprietary funds contingent on revenues being generated to cover the cost of the position.

**Funding:** This program is funded entirely with proprietary funds. The industries program must generate its own revenue from the sale of its products.



Difference From Executive: The major differences between the executive budget and the appropriation are: (1) a zero percent vacancy savings rate is applied compared with 4 percent in the executive budget; (2) the biennial audit costs of \$2,979 are included in the central office budget rather than this budget; (3) out-of-state travel is appropriated \$630 per year higher than the executive budget; (4) the fiscal 1989 executive operating expenses contain a \$4,500 keypunch error; and (5) the legislature appropriated \$1,454 less equipment in fiscal 1989 than in the executive budget.



AGENCY: MONTANA STATE PRISON

LEGISLATIVE ACTION

PROGRAM: PRISON INDUSTRIES TRAINING

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	2.75	3.75	3.75	0.00	3.75	3.75	0.00	1.00
Personal Services	\$108,980	\$160,505	\$165,341	\$ 4,836	\$161,595	\$166,448	\$ 4,853	51.72
Operating Expenses	186,178	244,358	253,104	8,746	246,169	253,342	7,173	35.95
Equipment	5,604	11,350	12,645	1,295	0	0	0	125.64
TOTAL EXPENSES	\$300,762	\$416,213	\$431,090	\$14,877	\$407,764	\$419,790	\$12,026	43.33
FUNDING								
General Fund	\$148,010	\$176,327	\$173,015	\$(3,312)	\$161,065	\$163,881	\$ 2,816	16.89
Federal Revenue	7,175	25,079	36,496	11,417	25,275	34,330	9,055	408.66
Other Revenue	145,577	214,807	221,579	6,772	221,424	221,579	155	52.21
TOTAL FUNDING	\$300,762	\$416,213	\$431,090	\$14,877	\$407,764	\$419,790	\$12,026	43.33

Program Description: The Industries Training Program is a program approved by the 1983 legislature as a result of Senate Bill 1 of the second special session in fiscal 1982. The program as approved includes auto repair, heavy equipment repair, industrial arts, meat cutting, horticulture, business skills, and an electronic repair center. A new building was completed and occupied in fiscal 1986.

Language in the Bill:

The Department is authorized to maintain a fund balance of not more than \$15,000 at the end of each fiscal year in the Industries Training Program Proprietary Account.

Budget: Personal services increase 51.7 percent in fiscal 1988 as a result of adding a 1.0 FTE career counselor in the approved modified, including \$44,629 each year for inmate pay which was budgeted in operating expenses in fiscal 1986, and applying a zero vacancy savings rate. Operating expenses increase 35.9 percent primarily for \$8,371 of expenses added in the modified, \$29,085 of utilities in the new facilities, and an increase in merchandise for resale of \$25,522 each year.



Modifieds Approved:

1. Career Counselor - A modified request to add federal Carl Perkins grant funds was approved to hire a 1.0 FTE career counselor and purchase \$8,371 of educational supplies in fiscal 1988 and \$8,000 in fiscal 1989. The grant also allows \$2,000 for the purchase of educational equipment in fiscal 1988. The total added is \$36,496 in fiscal 1988 and \$34,330 in fiscal 1989.

Funding: General fund supports approximately 40 percent while federal funds and proprietary funds support the balance of the program.

Difference From Executive: The major differences between the executive budget and the appropriation are: (1) a zero percent vacancy savings is applied compared with 4 percent in the executive budget; and (2) operating and equipment costs associated with Carl Perkins grant of \$8,371 operating expenses in fiscal 1988 and \$8,000 in fiscal 1989 and equipment costs of \$2,000 in fiscal 1988 are added.

AGENCY: SWAN RIVER FOREST CAMP

LEGISLATIVE ACTION

PROGRAM: CARE AND CUSTODY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	26.83	25.83	25.83	0.00	25.83	25.83	0.00	-1.00
Personal Services	\$666,527	\$648,927	\$662,447	\$13,520	\$652,536	\$666,131	\$13,595	-0.61
Operating Expenses	267,323	298,152	296,692	(1,460)	297,816	297,015	(801)	10.99
Equipment	13,229	7,851	12,000	4,149	1,850	0	(1,850)	-9.29
TOTAL EXPENSES	\$947,079	\$954,930	\$971,139	\$16,209	\$952,202	\$963,146	\$10,944	2.54
FUNDING								
General Fund	\$829,230	\$837,161	\$845,854	\$ 8,693	\$834,171	\$848,631	\$14,460	2.00
State Special Revenue	79,012	86,383	86,383	0	86,617	86,617	0	9.33
Federal Revenue	38,837	31,386	38,902	7,516	31,414	27,898	(3,516)	0.17
TOTAL FUNDING	\$947,079	\$954,930	\$971,139	\$16,209	\$952,202	\$963,146	\$10,944	2.54

Program Description: The Swan River Forest Camp is a minimum security work camp for inmates transferred from the state prison who are between the ages of 18 and 26. The inmates work with the Forestry Division of the Department of State Lands and are involved in several forestry programs such as thinning, seeding, and planting trees as well as campground and recreation area maintenance. The facility has an overall capacity of 54 inmates. The fiscal 1986 average daily population was 51 inmates and is expected to remain at 51 for the 1989 biennium.

Budget: A 2 percent vacancy savings rate was approved. After the camp's superintendent retired in fiscal 1986, the department appointed the assistant superintendent/business manager as superintendent, deleting the assistant superintendent/business manager position in the process. The budget reflects the reduction from 26.83 FTE to 25.83 in the 1989 biennium.

Operating costs are increased to allow for the additional costs of operating the new sewage treatment plant at the facility. The plant is built on forest service land, which the camp will lease for \$1,000 per year. The sewage treatment plant maintenance costs are included at \$9,900 in fiscal 1988 and \$10,750 in fiscal 1989 and utility costs are increased \$1,916 in fiscal 1988 and \$2,215 in fiscal 1989, based on costs developed by the project engineer. Merchandise purchased for resale to the inmates is increased \$6,675 to \$58,000 each year. In addition to buying personal items

from the canteen, inmates also purchase their clothing through the canteen. Other minor adjustments amount to less than 1 percent.

Equipment of \$8,000 for the biennium was approved by the subcommittee to be spent at the Department's discretion, while \$4,000 was approved for vocational education equipment.

Funding: Funding includes general fund, which increases 3.64 percent and state special alcohol funds, which fund an alcohol counselor at \$28,383 in fiscal 1988 and \$28,617 in fiscal 1989. State special canteen funds are included at \$58,000 each year of the biennium. ECIA Title I funds increase to \$9,570 in fiscal 1988 and \$9,598 in fiscal 1989, while federal school lunch funds decrease to \$2,000 each year from an appropriated level of \$5,220 in fiscal 1986 and 1987. Federal boarder funds are included at \$16,300 each year of the 1989 biennium.

Modifieds Approved: Two modified requests were approved for the Swan River Forest Camp.

1. Recreational and Educational Items: This modified allows expenditure authority of \$7,032 for the biennium to allow the camp to expend contract improvement cash received from the federal government for federal boarders on recreational and educational items.

2. Vocational Education Funds: This modified is \$4,000 to spend federal Carl Perkins vocational education funds in fiscal 1988 for equipment.

Difference From Executive: The major differences between the executive budget request and the appropriation are: (1) the vacancy savings rate is 2 percent compared with 4 percent in the executive budget request; (2) the biennial audit costs of \$7,392 have been appropriated in the central office; (3) federal boarder contract improvement funds of \$7,032 were appropriated for the biennium while the executive requested half or \$3,516 each year of the biennium; (4) additional utilities costs for the new sewage treatment plant of \$1,916 in fiscal 1988 and \$2,215 in fiscal 1989 were approved based on updated estimates from the project engineer and; (5) federal vocational education funds of \$4,000 became available after the executive budget was completed.



AGENCY: MONTANA DEVELOPMENTAL CENTER

LEGISLATIVE ACTION

PROGRAM: DIRECT CARE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	440.40	430.65	430.65	0.00	430.65	430.65	0.00	-9.75
Personal Services	\$ 9,139,175	\$9,974,774	\$10,051,213	\$ 76,439	\$10,102,991	\$10,178,489	\$ 75,498	9.98
Operating Expenses	1,621,314	1,686,970	1,695,025	8,055	1,717,855	1,731,651	13,796	4.55
Equipment	15,748	20,000	50,000	30,000	20,000	0	(20,000)	217.50
Non-Operating	2,530	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$10,778,767	\$11,681,744	\$11,796,238	\$114,494	\$11,840,846	\$11,910,140	\$ 69,294	9.44
FUNDING								
General Fund	\$10,711,424	\$11,626,582	\$11,739,951	\$113,369	\$11,783,961	\$11,852,130	\$ 68,169	9.60
State Special Revenue	28,608	12,501	13,626	1,125	12,501	13,626	1,125	-52.37
Federal Revenue	38,735	42,661	42,661	0	44,384	44,384	0	10.14
TOTAL FUNDING	\$10,778,767	\$11,681,744	\$11,796,238	\$114,494	\$11,840,846	\$11,910,140	\$ 69,294	9.44

Program Description: The Montana Developmental Center, formerly Boulder River School and Hospital, provides services to mentally retarded children and adults. The center's population has stabilized over the last two bienniums at an average of 202 residents.

Budget: Personal services increase 10.0 percent for three primary reasons. First, vacancy savings is budgeted at 1.9 percent for direct care staff and 4 percent for non-direct care staff in the 1989 biennium, while the 1987 biennium had vacancy savings budgeted at 6 percent and the agency experienced actual vacancy savings of approximately 7.5 percent. Secondly, as a result of a federal medicaid review, the center has replaced sixteen lower paid support FTE with higher paid direct care and treatment staff. This staffing change was implemented in an attempt to meet medicaid certification standards. The third and major reason for the personal services increase is a 42 percent increase in employee benefits. This increase results primarily from workers compensation rate increases. Benefits were 23 percent of employee compensation in fiscal 1986. The fiscal 1988 requested benefits are 28.5 percent of salaries, while fiscal 1989 benefits are at 30.5 percent.

A 0.25 FTE teacher aide position was eliminated from fiscal 1986 to fiscal 1987. To meet the pay plan shortfall in fiscal 1987, 9.5 FTE were deleted. The deletion of these positions saves \$233,230 of general fund in fiscal 1988 and \$235,056 in fiscal 1989. A 1.9 percent vacancy savings rate on direct care staff increased personal services approximately \$81,700 each year of the biennium. Hepatitis B shots costing \$12,500 were approved for all residents and staff in the 1989 biennium. As a result of the medicaid survey training costs of \$4,657 were added each year for the new employees hired and \$9,269 was added each year for patient reinforcers. A \$50,000 biennial appropriation for equipment was approved. The facility is expected to purchase a Century tub with a lift system out of the funds appropriated for equipment.

Funding: General fund increases 9.6 percent over fiscal 1986, primarily because of the increase in personal services caused by worker's compensation increases. State special revenue funds decrease as a result of discontinuing the canteen operation. The balance of the state special revenue is donated funds. Federal ECIA Chapter I funds increase 4.6 percent over the 1987 biennium. Federal school lunch and ECIA chapter I funds increase only slightly, as the school age population has stabilized at 22 children.

Difference From Executive: The major differences between the executive budget request and the appropriation are: (1) vacancy savings is approved at 1.9 percent for direct care staff and 4 percent for non-direct care staff compared with a 4 percent rate for all staff in the executive budget request; (2) the biennial audit costs of \$18,648 are appropriated in the central office rather than in this budget; (3) hepatitis B shots costing \$12,500 in fiscal 1988 were approved that were not included in the executive budget request; (4) training costs of \$4,657 and reinforcers of \$9,269 each year were approved that were not included in the executive request; and (5) the legislature approved a \$50,000 biennial appropriation for equipment which includes an amount for the purchase of a century tub with a lift system compared with the executive request for \$20,000 each year of the biennium.

AGENCY: CENTER FOR THE AGED

LEGISLATIVE ACTION

PROGRAM: RESIDENTIAL SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	100.24	98.84	97.84	-1.00	98.84	97.84	-1.00	-2.40
Personal Services	\$2,011,975	\$2,146,198	\$2,143,102	\$(3,096)	\$2,137,965	\$2,135,207	\$(2,758)	6.52
Operating Expenses	487,023	511,840	504,521	(7,319)	522,192	524,056	1,864	3.59
Equipment	2,254	8,522	25,000	16,478	14,346	0	(14,346)	1009.14
TOTAL EXPENSES	\$2,501,252	\$2,666,560	\$2,672,623	\$ 6,063	\$2,674,503	\$2,659,263	\$(15,240)	6.85
FUNDING								
General Fund	\$2,497,292	\$2,656,825	\$2,662,888	\$ 6,063	\$2,664,768	\$2,649,528	\$(15,240)	6.63
State Special Revenue	3,960	9,735	9,735	0	9,735	9,735	0	145.83
TOTAL FUNDING	\$2,501,252	\$2,666,560	\$2,672,623	\$ 6,063	\$2,674,503	\$2,659,263	\$(15,240)	6.85

**Program Description:** The Center for the Aged is a residential facility for long-term care and treatment of persons in need of continued psychiatric care who are 55 years or older and are transferred from Montana State Hospital or referred from Montana mental health centers. The center was budgeted for an average daily population of 175 in the 1987 biennium. The actual population averaged 171 in fiscal 1986.

**Budget:** A 0.10 FTE food service worker, a 0.30 pharmacist, and a 1.0 FTE social worker was deleted to meet the pay plan shortfall in fiscal 1987. In addition a 1.0 FTE food service worker was deleted due to the purchase of a new food handling system that will save time. A vacancy savings rate of 2 percent for direct care staff and 4 percent for non-direct care staff was approved.

Base operating costs were decreased \$6,491 overall. The base reductions result from eliminating contract laundry costs of \$29,140 offset by increasing insurance costs of \$2,512 per quotes from the Department of Administration, burial and autopsy costs of \$800 to allow one burial with plot each year of the biennium, laundry supplies of \$3,810 because of the new laundry facilities, paper and janitorial supply inventory adjustments of \$2,500, copy machine rental of \$1,000 to replace an old copier, utility costs of \$6,800 resulting from the expansion of the laundry as quoted by the engineer, maintenance contracts of \$1,200 to annualize contracts covering the center's personal computers, and goods



purchased for resale in the canteen of \$3,268. Inflation on food, drugs, medical supplies, communications, and utilities amounts to \$24,263 in fiscal 1988 and \$20,259 in fiscal 1989.

A \$25,000 biennial appropriation for equipment was approved which includes the Gemini tray system for handling food which costs \$18,121.

Funding: The general fund increases 6.6 percent primarily to cover increases in personal services. The state special revenue increases 145.8 percent to allow more authority in the center's canteen program and increase donations authority from \$400 in fiscal 1986 to \$2,400 in each year of the 1989 biennium.

Difference From Executive: The major differences between the executive budget request and the appropriation are: (1) vacancy savings was approved at 2 percent for direct care staff and 4 percent for non-direct care staff compared with 4 percent for all staff in the executive budget request; (2) a 1.0 FTE food service worker was deleted due to the authorization to purchase a new food handling system that was not requested in the executive budget; (3) the biennial audit costs of \$9,240 are appropriated in the central office rather than in this budget; (4) the legislature approved \$2,674 more each year for repair and maintenance expense than the executive budget request; and (5) the legislature approved a \$25,000 biennial equipment budget which includes the Gemini tray handling system costing \$18,121 compared with the executive request of \$8,522 in fiscal 1988 and \$14,346 in fiscal 1989.

AGENCY: EASTMONT TRAINING CENTER

LEGISLATIVE ACTION

PROGRAM: CARE AND CUSTODY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	93.02	90.52	92.02	1.50		90.52	92.02	1.50		-1.00
Personal Services	\$1,737,473	\$1,875,439	\$1,914,219	\$38,780		\$1,888,344	\$1,928,064	\$39,720		10.17
Operating Expenses	349,993	327,321	319,560	(7,761)		322,517	324,082	1,565		-8.70
Equipment	0	7,207	10,000	2,793		0	0	0		---
TOTAL EXPENSES	\$2,087,466	\$2,209,967	\$2,243,779	\$33,812		\$2,210,861	\$2,252,146	\$41,285		7.49
FUNDING										
General Fund	\$2,084,533	\$2,205,967	\$2,239,779	\$33,812		\$2,206,861	\$2,248,146	\$41,285		7.45
State Special Revenue	2,933	4,000	4,000	0		4,000	4,000	0		36.38
TOTAL FUNDING	\$2,087,466	\$2,209,967	\$2,243,779	\$33,812		\$2,210,861	\$2,252,146	\$41,285		7.49

**Program Description:** Eastmont Training Center is a 55-bed intermediate care facility for mentally retarded adults and children. The center provides care, treatment, and education services to mentally retarded residents of the state under the authority of Title 53-20-204, MCA. The center was budgeted for an average daily population of 53 for the 1987 biennium. The actual population averaged 53 in fiscal 1986.

**Budget:** Personal services increase 10.2 percent from fiscal 1986 to fiscal 1988. The largest single factor causing this increase is the large rate increase in workers compensation charged for institutional employees. Eastmont's employee benefits increase from 17.2 percent of salaries in the 1987 biennium to 22.2 percent of salaries in the 1989 biennium for an overall increase of 41.4 percent, or \$194,175. Other personal service increases are a result of approximately \$130,000 of vacancy savings required in fiscal 1987 to meet the budget, and the pay increase between fiscal 1986 and 1987. A 1.0 FTE custodial worker was deleted to meet the pay plan shortfall in fiscal 1987. A 2 percent vacancy savings rate for direct care staff was approved while a 4 percent rate was applied to non-direct care staff.

Operating costs decrease 8.7 percent primarily because of one-time expenditures of \$43,384 made in fiscal 1986 to maintain medicaid certification. This level of staffing and operating expense maintains services to an average daily population of 53 residents. A biennial appropriation of \$10,000 was approved for equipment.

Funding: The center's state special revenue donations account is increased to \$4,000 each year of the biennium.

Difference From Executive: The major differences between the executive budget request and the appropriation are: (1) vacancy savings is approved at 2 percent for direct care staff and 4 percent for non-direct care staff compared with 4 percent for all staff in the executive budget request; (2) the legislature authorized 1.5 FTE food service workers deleted in the executive budget request; (3) the biennial audit costs of \$9,240 are appropriated in the central office; (4) the legislature approved \$909 more each year for repair and maintenance expense than the executive request and \$657 more each year for recruiting expenses; and (5) the legislature approved \$10,000 for equipment or \$2,793 more than the executive request.



AGENCY: MONTANA VETERANS' HOME

LEGISLATIVE ACTION

PROGRAM: CARE AND CUSTODY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	74.50	70.80	81.30	10.50	70.80	81.30	10.50	6.80
Personal Services	\$1,346,156	\$1,460,599	\$1,685,846	\$225,247	\$1,473,594	\$1,700,448	\$226,854	25.23
Operating Expenses	478,169	490,797	502,095	11,298	503,129	523,035	19,906	5.00
Equipment	0	11,596	11,596	0	0	0	0	N/A
TOTAL EXPENSES	\$1,824,325	\$1,962,992	\$2,199,537	\$236,545	\$1,976,723	\$2,223,483	\$246,760	20.57
FUNDING								
General Fund	\$ 441,339	\$ 565,551	\$ 542,000	\$(23,551)	\$ 579,282	\$ 552,504	\$(26,778)	22.81
State Special Revenue	15,338	20,764	20,764	0	20,764	20,764	0	35.38
Federal Revenue	1,367,648	1,376,677	1,636,773	260,096	1,376,677	1,650,215	273,538	19.68
TOTAL FUNDING	\$1,824,325	\$1,962,992	\$2,199,537	\$236,545	\$1,976,723	\$2,223,483	\$246,760	20.57

Program Description: The Montana Veterans' Home provides domiciliary and nursing care to honorably discharged veterans and, if space is available, to veterans' spouses. An addition to the home was completed in fiscal 1984 increasing the bed capacity to 151, a net increase of 36. Sixty-one of the 151 beds are domiciliary while 90 are nursing care beds. The home averaged 125 members in residence in fiscal 1986 with 60 in nursing care and 65 in domiciliary. Through October of fiscal 1987 the home has averaged 131 members. The current level budget is based on 130 average daily population with 65 in nursing care and 65 in the domiciliary, however, the legislature approved a modified request which increases budgeted nursing care beds to 89 and decreases budgeted domiciliary to 46 beds. Overall, the modified increased the average daily population by 5 to a total of 135 ADP.

Budget: Personal services increase 25.2 percent into the 1989 biennium for three major reasons. First, the 21.63 FTE nurse aides at the institution were upgraded from grade 7 nurse aide I's to grade 8 nurse aide II's as determined by the board of personnel appeals. These upgrades cost approximately \$27,000 per year. Second, the institution's workers' compensation increase resulted in an overall increase in benefit rates of 44 percent, from 17.6 percent in fiscal 1986 to approximately 23 percent in the 1989 biennium. Third, the approved modified adds 10.5 FTE at a cost of \$208,927 in fiscal 1988 and \$210,350 in fiscal 1989. To meet the fiscal 1987 pay plan shortfall 3.7 FTE were deleted, a 1.0 FTE stock clerk, a 1.0 FTE custodial worker, a 1.0 FTE maintenance worker, a 0.50 FTE physical therapist, and a

0.20 FTE food service worker. A 1.6 percent vacancy savings rate was applied to direct care staff while a 4 percent rate was applied to non-direct care staff.

Operating costs were increased \$4,800 for changes in insurance and payroll processing fees as required by other state agencies. The one-time expenditures of \$24,995 for the new boilers were reduced from the base. Natural gas was increased \$9,857 based on an adjusted three year average since the agency does not have a full year of experience with the new boilers. Repairs were reduced \$2,000 for one-time expenditures while merchandise for resale was increased \$5,426. Operating expenses for the approved modified add \$5,720 each year. Inflation on food, drugs, medical supplies, communications, and utilities amounts to \$25,000 in fiscal 1988 and \$17,618 in fiscal 1989.

Funding: The Veterans' Home is funded with general fund, federal veterans' administration per diem reimbursement, and third party and private pay reimbursements. The Home has a self supporting member canteen.

The federal veterans' administration funds increase to \$642,904 each year based on an average daily population of 87 nursing care members at \$17.05 per day and 38 domiciliary members at \$7.30 per day. There are 2 non-veterans in nursing care and 8 non-veterans in domiciliary care for which no federal funds are received. Private and third party funds average 46 percent of total costs and are included in the current level at 46 percent of the total costs. Private and third party funds total \$990,869 in fiscal 1988 and \$1,004,311 in fiscal 1989 with the addition of the approved modification. The canteen is included at \$20,764, the same level as was appropriated in the 1987 biennium. The Veterans' Home also has a small income from land they lease, which is included at \$3,000 each year.

Modifieds Approved:

1. Nursing Care Services: A modified request was approved which converts 24 domiciliary beds to nursing care beds. This requires an additional 10.5 FTE and adds 5 to the average daily population. The positions added include 1.0 FTE professional nurse, 1.0 FTE professional nurse supervisor, 2.40 FTE licensed practical nurses, 0.50 FTE rehabilitation aide, and 5.6 FTE nurse aides. This action provides nursing care services to 19 residents who are currently receiving domiciliary care, but who have been identified as needing the higher level of nursing care. The total additional cost of this modified is \$217,955 in fiscal 1988 and \$219,434 in fiscal 1989. The general fund is increased \$39,596 in fiscal 1988 and \$41,075 in fiscal 1989 while federal veterans' administration funds increase \$96,298 each year and private and third party reimbursement increases \$82,061 each year of the biennium.

Difference From Executive: The major differences between the executive budget and the appropriation are: 1) vacancy savings is appropriated at 1.6 percent for direct care staff and 4 percent for non-direct care staff compared with 4 percent for all staff in the executive budget; 2) the executive included \$7,392 for the biennial audit which is appropriated in the central office; 3) the legislature approved an additional five average daily population above the executive's current level budget which adds incremental costs of \$5,410 per year; 4) the legislature approved a base adjustment of \$9,857 for natural gas that was not included in the executive budget; and, 5) the legislature converted 24 domiciliary beds to nursing care beds.



AGENCY: MONTANA STATE HOSPITAL

LEGISLATIVE ACTION

PROGRAM: CARE AND CUSTODY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	701.20	706.55	705.05	-1.50	721.50	720.00	-1.50	3.85
Personal Services	\$16,344,286	\$18,039,573	\$18,340,518	\$300,945	\$18,243,329	\$18,552,673	\$309,344	12.21
Operating Expenses	2,923,741	3,209,005	3,189,626	(19,379)	3,291,480	3,297,592	6,112	9.09
Equipment	55,214	30,000	41,050	11,050	30,000	30,000	0	-25.65
TOTAL EXPENSES	\$19,323,241	\$21,278,578	\$21,571,194	\$292,616	\$21,564,809	\$21,880,265	\$315,456	11.63
FUNDING								
General Fund	\$17,596,945	\$19,543,442	\$19,826,836	\$283,394	\$19,840,723	\$20,146,957	\$306,234	12.67
State Special Revenue	1,720,310	1,731,361	1,740,583	9,222	1,720,311	1,729,533	9,222	1.18
Federal Revenue	5,986	3,775	3,775	0	3,775	3,775	0	-36.94
TOTAL FUNDING	\$19,323,241	\$21,278,578	\$21,571,194	\$292,616	\$21,564,809	\$21,880,265	\$315,456	11.63

Program Description: Montana State Hospital provides evaluation and psychiatric treatment on the Warm Springs campus for adults who are mentally ill. Inpatient alcohol and drug treatment programs are offered at the Galen campus as well as acute and intermediate care medical services for the mentally ill. The Warm Springs campus had an average daily population of 301 during fiscal 1986 while the Galen campus served an average daily population of 89 acute and intermediate care patients, 63 alcohol patients, and 11 drug patients.

The Drug Program (Lighthouse), located on the Galen campus, provides treatment to individuals who are drug dependent. The program serves males and females over the age of 18. Lighthouse has a capacity for 15 clients at any one time. However, the program has served an average daily population of 11 over the past 5 years. The program has changed from a six month program to a 90-day program, while most other inpatient drug treatment programs in the state are 28-day programs.

The Alcohol Program, on the Galen campus, provides a 28-day intensive alcoholic treatment program. The program serves alcoholics over the age of 18, with the largest group served being 31 to 44 year olds. The program served an average daily population of 63 during fiscal 1986. The program uses the general hospital at Galen for



detoxification of the alcoholic patients. The general hospital had an average daily population of 24 alcoholic patients in fiscal 1986.

The Canteen provides a snack bar where patients can purchase sandwiches, pop, candy, cigarettes, and certain personal items. The canteen is self-sufficient with the exception of the store manager position, which is general funded.

Budget: To meet the pay plan shortfall in fiscal 1987, 9.1 FTE were deleted which reduced personal services \$227,476 in fiscal 1988 and \$226,179 in fiscal 1989. In addition the subcommittee deleted 2.0 FTE physician positions but maintained the salaries of approximately \$140,000 per year to provide higher salaries for psychiatrists and to pay for on-call services provided by the medical staff. Vacancy savings rates of 2.0 percent for direct care and 4 percent for non-direct care staff were applied.

Operating expenses increase \$100,566 each year of the biennium for insurance increases as quoted by the Department of Administration while the balance of operating increases results from inflation. This level of staffing and operating expenses provides for an average daily population of 464 residents. Equipment is approved at \$41,050 in fiscal 1988 and \$30,000 in fiscal 1989 to be spend at the department's discretion.

#### Modifieds Approved:

1. Forensic Unit: A modified request was approved to staff and operate the new forensic unit which is scheduled to open in January 1988. This action added 14.95 FTE in fiscal 1988 and 29.9 FTE in fiscal 1989. This modified adds general fund of \$358,965 in fiscal 1988 and \$659,636 in fiscal 1989. The new unit will accommodate an average daily population of 100 compared with 74 ADP currently.

Funding: General fund increases 12.7 percent primarily as a result of increases in personal services in the approved modification, and no increase in the alcohol funds. Alcohol funds were approved at the fiscal 1986 level of \$1,595,609 each year of the biennium. This action requires additional general fund of \$92,048 in fiscal 1988 and \$98,785 in fiscal 1989. State special revenue canteen funds were approved at \$127,974 in fiscal 1988 and \$116,924 in fiscal 1989 while state special revenue donations are \$17,000 each year of the biennium. Federal school lunch funds are included at the fiscal 1986 actual level of \$2,644 each year and interest and income funds of \$1,131 are included each year of the biennium.

Difference From Executive: The major differences between the executive budget and the appropriation are: 1) the legislature deleted 9.1 FTE compared with 9.6 in the executive's budget to meet pay plan increases; 2) the legislature deleted 2.0 FTE physician positions but retained the personal service dollars, approximately \$140,000, to provide higher salaries for psychiatrists and pay for on-call service that were not included in the executive budget; 3) vacancy savings for psychiatrists are approved at 2 percent for direct care staff and 4 percent for non-direct care staff compared with an overall 4 percent rate in the executive budget; 4) the executive budget included \$27,384 for audit fees appropriated in the central office; 5) supplies and materials were increased approximately \$9,000 per year above the executive to expend additional donated funds; and 6) the legislature appropriated \$11,050 more in fiscal 1988 for equipment purchases than the executive budget.

AGENCY: BOARD OF PARDONS

LEGISLATIVE ACTION

PROGRAM: BOARD SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	4.00	4.00	4.00	4.00	4.00	0.00
Personal Services	\$129,313	\$120,255	\$127,695	\$120,216	\$127,654	-1.25
Operating Expenses	29,255	34,793	32,744	32,472	32,787	11.93
Equipment	1,493	0	0	0	0	-100.00
Non-Operating	563	0	0	0	0	-100.00
TOTAL EXPENSES	\$160,624	\$155,048	\$160,439	\$152,688	\$160,441	-0.12
GENERAL FUND	\$160,624	\$155,048	\$160,439	\$152,688	\$160,441	-0.12

Program Description: The Board of Pardons oversees Montana's inmate parole and furlough programs. The board also reviews requests for executive clemency and makes recommendations to the Governor concerning those requests. The board consists of three members and an auxiliary member who are appointed by the Governor. At least one member is required to have particular knowledge of Indian culture and problems. Members are compensated \$50 for each day that board duties are actually and necessarily performed. In addition, board members are compensated for actual travel expenses incurred while performing board duties. The board has four full-time employees, located in Deer Lodge, who perform support and administrative duties for the board.

Budget: Personal services decrease 1.25 percent due to turnover of positions which now cost \$5,000 less than the fiscal 1986 level. Operating costs increase 11.9 percent from fiscal 1986 to fiscal 1988. Communication costs are increased \$2,244 each year of the biennium since the Board is now billed for communication charges previously paid by the prison.

Difference From Executive: The major differences between the executive budget request and the appropriation are: 1) a zero vacancy savings rate is applied compared with 4 percent in the executive budget request; and 2) the executive request included \$2,352 of audit costs in fiscal 1988 that are appropriated in the Department of Institutions Central Office.



AGENCY: DEPARTMENT OF FAMILY SERVICES

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	557.88	555.31	-2.57	557.88	555.31	-2.57	N/A
Personal Services	\$0	\$13,005,191	\$13,026,139	\$ 20,948	\$13,028,390	\$13,043,192	\$ 14,812	N/A
Operating Expenses	0	2,761,925	2,665,179	(96,746)	2,807,298	2,684,339	(122,959)	N/A
Equipment	0	482,179	156,298	(325,881)	478,148	114,298	(363,850)	N/A
Non-Operating	0	14,560,621	14,921,289	360,668	14,555,621	15,021,783	466,162	N/A
TOTAL EXPENSES	\$0	\$30,809,916	\$30,768,905	\$ (41,011)	\$30,869,447	\$30,863,612	\$ (5,835)	N/A
FUNDING								
General Fund	\$0	\$20,307,588	\$20,051,496	\$ (256,092)	\$20,317,806	\$20,124,606	\$ (193,200)	N/A
State Special Revenue	0	164,451	164,151	(300)	163,542	163,242	(300)	N/A
Federal Revenue	0	10,337,877	10,553,258	215,381	10,388,099	10,575,764	187,665	N/A
TOTAL FUNDING	\$0	\$30,809,916	\$30,768,905	\$ (41,011)	\$30,869,447	\$30,863,612	\$ (5,835)	N/A

Program Description: As a result of the Governor's Council on Reorganization of Youth Services, House Bill 325 was introduced to implement the recommendations of the council. This budget reflects the intent of House Bill 325 to reorganize youth services provided within the Departments of Institutions and Social and Rehabilitation Services into a new Department of Family Services. House Bill 325 in its current form does not include the county probation officers as originally proposed; therefore, the budgets do not reflect the county probation budget with 87.50 FTE and total operating costs of \$2,846,447 in each year of the biennium.

The proposed Department consists of six programs: Management Support, Social Services, Mountain View School, Pine Hills School, Aftercare Services, and Youth Evaluation. Each of these programs is discussed in the narrative that follows.



AGENCY: DEPARTMENT OF FAMILY SERVICES

LEGISLATIVE ACTION

PROGRAM: MANAGEMENT SUPPORT

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	15.50	15.50	0.00	15.50	15.50	0.00	15.50
Personal Services	\$0	\$401,124	\$449,962	\$ 48,838	\$400,791	\$449,542	\$ 48,751	N/A
Operating Expenses	0	321,833	278,595	(43,238)	324,200	275,449	(48,751)	N/A
Equipment	0	17,000	15,025	(1,975)	22,000	8,025	(13,975)	N/A
TOTAL EXPENSES	\$0	\$739,957	\$743,582	\$ 3,625	\$746,991	\$733,016	\$(13,975)	N/A
FUNDING								
General Fund	\$0	\$467,405	\$469,696	\$ 2,291	\$472,799	\$463,954	\$ (8,845)	N/A
Federal Revenue	0	272,552	273,886	1,334	274,192	269,062	(5,130)	N/A
TOTAL FUNDING	\$0	\$739,957	\$743,582	\$ 3,625	\$746,991	\$733,016	\$(13,975)	N/A

Program Description: The Management Support Program provides the administrative and fiscal support for the department as well as overall policy development and program supervision.

Budget: The program includes 15.5 administrative staff. However, because this is a new program the specific functions of each position have not been finalized. Operating costs of \$278,595 in fiscal 1988 and \$275,449 in fiscal 1989 were approved by the legislature. Because there is no historical base, the level of funding for operations was based on the executive estimate of initial costs to establish the new department and comparable historical expenditures from the Administration and Support Program of SRS. Due to the newness of the program, it was the legislature's intent that the program be allowed some flexibility in adjusting funds within various operating budget categories. Equipment approved by the legislature includes office furniture for five regional offices, and data and word processing equipment.

Funding: Funding for the program is a combination of federal and general funds. The amount of federal funds actually received by the program depends on a time-study cost allocation system that assess other programs in the department according to the amount of time Management Support staff are involved in specific federally funded programs. Because a large portion of the programs in the new Department of Family Services are primarily general funded, the percent of general fund in the Management Support Program is approximately 63 percent of total funds.

AGENCY: DEPARTMENT OF FAMILY SERVICES

LEGISLATIVE ACTION

PROGRAM: SOCIAL SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	376.64	344.12	341.55	-2.57	344.12	341.55	-2.57	-35.09
Personal Services	\$ 8,319,168	\$ 8,032,394	\$ 8,011,129	\$ (21,265)	\$ 8,033,393	\$ 8,007,113	\$ (26,280)	-3.70
Operating Expenses	1,117,980	1,170,152	1,130,065	(40,087)	1,214,278	1,133,327	(80,951)	1.08
Equipment	23,059	424,445	106,273	(318,172)	424,445	106,273	(318,172)	360.87
Total Operating	\$ 9,460,207	\$ 9,626,991	\$ 9,247,467	\$ (379,524)	\$ 9,672,116	\$ 9,246,713	\$ (425,403)	-2.25
Benefits								
West Yellowstone	\$ 7,150	\$ 7,150	\$ 7,150	\$ 0	\$ 7,150	\$ 7,150	\$ 0	0.00
Special Adopt/Children's Trust	15,820	75,000	89,000	14,000	75,000	89,000	14,000	462.58
Home Health	30,035	15,047	15,047	0	15,047	15,047	0	-49.90
Legal	50,000	0	0	0	0	0	0	-100.00
Family Crisis	0	0	50,000	50,000	0	50,000	50,000	N/A
Child Abuse	98,395	81,617	81,617	0	81,617	81,617	0	-17.05
Domestic Violence	131,404	131,871	135,700	3,829	131,871	135,700	3,829	3.27
Subsidized Adoption	147,955	175,531	175,531	0	175,531	175,531	0	18.64
Refugee	180,941	200,000	200,000	0	200,000	200,000	0	10.53
Big Brothers	217,301	203,400	162,570	(40,830)	203,400	162,570	(40,830)	-25.19
Alcohol & Drug	201,286	213,750	205,000	(8,750)	213,750	205,000	(8,750)	1.85
Day Care	390,102	418,761	418,761	0	418,761	418,761	0	7.35
SSI	819,500	919,790	919,790	0	919,790	919,790	0	12.24
Aging	4,177,728	4,340,750	4,579,744	238,994	4,336,050	4,574,744	238,694	9.62
Foster Care	7,027,031	7,777,954	7,881,379	103,425	7,777,654	7,986,873	209,219	12.16
Total Benefits	\$13,494,648	\$14,560,621	\$14,921,289	\$ 360,668	\$14,555,621	\$15,021,783	\$ 466,162	10.57
TOTAL EXPENSES	\$22,954,855	\$24,187,612	\$24,168,756	\$ (18,856)	\$24,227,737	\$24,268,496	\$ 40,759	5.29
FUNDING								
General Fund	\$13,715,347	\$14,622,299	\$14,436,752	(\$185,547)	\$14,613,946	\$14,509,266	\$ (104,680)	5.26
State Special	0	89,000	\$89,000	\$0	\$89,000	89,000	0	N/A
Federal Revenue	9,239,508	9,476,313	\$9,643,004	\$166,691	\$9,524,791	9,670,230	145,439	4.37
TOTAL FUNDING	\$22,954,855	\$24,187,612	\$24,168,756	(\$18,856)	\$24,227,737	\$24,268,496	\$ 40,759	5.29



**Program Description:** The Social Services Division provides a variety of social services to children, adults, and senior citizens to ensure their health, welfare, and safety. Services to children include foster care, protective day care, Big Brothers and Sisters, adoption referral and counseling, and coordination of youth court and school programs to reduce instances of delinquency. Services to adults include spouse abuse counseling, services to unmarried parents, health and nutrition programs, and work incentive programs. Services to senior citizens include congregate meals, transportation, funding for senior centers, homemaker services, and legal advocacy. The Social Services Division is also responsible for administration of the state's supplemental security income payments to eligible recipients.

This program was transferred from the Department of Social and Rehabilitation Services (SRS) to the new Department of Family Services. No significant changes were made in either the mission of the program or the types of services provided.

**Legislative Intent:** Within the subsidized adoption program, the Department of Family Services shall continue its policy of only accepting children who are eligible for IV-E funding as new clients for the program. If allowed under federal regulations, the department shall reduce the state's portion of the supplemental security income payment an amount equal to any increase in the federal portion of the payment. The Department of Family Services is authorized to utilize funds that would be expended for out-of-state residential programs or other funds in the fostercare budget to develop additional in-state residential treatment slots. Furthermore, the department is authorized to modify and/or increase all or part of existing contracts with in-state providers to achieve this end.

**Budget:** Total funds for the Social Services Program increased 5.3 percent from fiscal 1986 to fiscal 1988. General fund increased at approximately the same rate as federal funds. The reduction in FTE from the fiscal 1986 level of 376.64 results from 1) the transfer of the 20 percent of the cost of county welfare directors and clerical staff to SRS which is the equivalent of 15.8 FTE; 2) the department's elimination of 16.54 homemaker FTE positions in response to the 5 percent reduction; 3) 2.57 FTE who were eliminated as part of the reduction proposed during Special Session III; and 4) transfers to other programs within the Department of Family Services, this program paid 20 percent of the cost of the Social Services Program to the new Department of Family Services, the program paid 20 percent of the cost of the county welfare directors and their clerical staff. The remaining 80 percent was paid in the Eligibility Determination Bureau of SRS. The significant increase in equipment is primarily to purchase computers and word processing equipment for the program.

The 2.57 FTE difference between the executive request and legislative funding results from the reduction of 2.57 social worker positions that had been eliminated during Special Session III but were included in the executive request.

The difference in operating costs is primarily due to a reduction in training funds that had been a one time funding with Social Service Block Grant funds during the 1987 biennium. These funds were not available for consideration for the 1989 biennium.

Differences between the legislative funding and executive request for equipment is lower funding for new word processing and computer equipment than was requested by the executive.

The following describes the legislature's action on the benefit portion of the Social Services Program.



**West Yellowstone:** Services provided under this grant include social services to the West Yellowstone community where there is no full time department employee. Funding for this grant is 75 percent general fund and 25 percent local funds. Total funds appropriated for this program are \$7,150 each year of the 1989 biennium.

**Home Health:** This grant is similar to the West Yellowstone grant and provides home health services to Lewis and Clark County. In addition to the \$15,047 of general fund included in the grant, Lewis and Clark County provides an equal amount of local funds in support of the program.

**Special Adoption:** The Special Adoption Program was a one-time federal grant of \$15,820 to help place children with special needs. No funds were available for the 1989 biennium. Children's Trust funds of \$89,000 were appropriated each year of the biennium. These funds are used by the department to coordinate services for abused children.

**Legal Services:** During the 1987 biennium the department contracted with Montana Legal Services to provide legal counseling to low income persons. This program was eliminated during Special Session III.

**Family Crisis:** This is a new 100 percent federally funded program begun by budget amendment during fiscal 1987. The program provides counseling for families who are experiencing social or economic problems that could lead to spouse or child abuse. Originally, the program was to receive funding for only one year and the executive did not request funds during the 1989 biennium. However, during the session, the department received notification from the federal government that the program would be continued for two more years at approximately \$50,000 per year.

**Domestic Violence:** This program provides protection and counseling services to abused spouses. Services are provided through contracts with local agencies for safe homes, a 24 hour crisis line, and public awareness and education programs. It was the legislature's intent that funding for the program be offset by revenue collected through marriage license fees. Funding for the program was set at \$135,700 per year for the 1989 biennium.

**Child Abuse:** This is a 100 percent federally funded program. Services provided include education and information dissemination about physical and sexual abuse of children. The department contracts with a number of local agencies to provide these services. Funding for the program was set according to the amount of federal funds anticipated to be available which are \$81,617 each year of the biennium.

**Subsidized Adoption:** This program is designed to assist families in adopting children with special needs such as physical or mental handicaps, or in adoption of sibling groups. The actual amount of the subsidy paid to the family varies according to the severity of the disability and the financial resources of the family. If the child is eligible for federal Title IV-E, funding of the program is shared at the same federal matching rate as medicaid. If the child is not IV-E eligible, the cost is 100 percent general fund. Under current department administrative rules, an eligible family may continue to receive the subsidy payment until the child is 18 years old. During fiscal 1986, the department instituted a policy that only IV-E eligible children would be accepted as new clients for the subsidized adoption program. The legislature adopted the executive recommendation of \$175,531 per year for the subsidized adoption program during the 1989 biennium. Funding for the program is approximately 62 percent general fund. The subcommittee also intended that the department continue the policy of only accepting IV-E eligible children into the program.

**Refugee:** Funds under this program provide a variety of social services for Indo-Chinese refugees including day care, social services, and employment referral. Funding for the program was set at the level of anticipated available federal funds which are \$200,000 per year of the 1989 biennium.

**Big Brothers and Sisters:** During the 1987 biennium, this program was funded with a combination of 75 percent general fund and 25 percent local funds. A general fund level of \$162,570 per year in the 1989 biennium was adopted, which is equivalent to the amount of additional revenue that is expected as a result of an increase in the marriage dissolution fee as proposed under House Bill 460. Local funds are no longer included in the appropriation for this program. Because this program primarily provides services to children from divorced families, the future funding for this program would be tied to revenue generated from the marriage dissolution fee. The difference in funding between the executive request and the legislature is that legislative funding does not include the 25 percent local funds that had been included as a match in previous appropriations.

**Alcohol and Drug Treatment:** Funding for this program is general fund that is offset by a \$.30 tax per barrel of beer. Funding for the 1989 biennium was set at \$205,000 per year which is the level of anticipated revenue that would be generated through the beer tax.

**Day Care:** This program provides day care services to abused and neglected children as an alternative to foster care. The funding for this program is equivalent to the anticipated fiscal 1987 expenditure level. Funding for this program depends on the eligibility of the client for AFDC related day care, refugee funding or non-AFDC related day care which is 100 percent general fund. Because a large percent of the services provided are to children who do not meet the AFDC eligibility criteria, total funding for the program is approximately 67 percent general fund.

**Supplemental Security Income:** The state currently supplements the federal Supplemental Security Income payment. Because the state supplement is intended to assist people in remaining in the community rather than being institutionalized, the amount of the state supplement is based on the recipient's type of community residence. The amount of the supplement ranges from \$26.00 per month for someone living in a developmental disability semi-independent living home, to \$94.00 for someone living in a developmental disabilities group home. The executive funding level which included the anticipated level of payments for fiscal 1987 was adopted. Funding for this program is 100 percent general fund of \$919,790 per year.

**Aging Services:** Aging services are provided through contracts with eleven regional Area Agencies on Aging. Services include a variety of supportive social services intended to enable seniors to maximize their independence and remain in their homes. Included are legal advocacy, training of volunteers, congregate meals, home delivered meals, and statewide coordination of the aging program network of services. Funding for the program was set according to the level of anticipated available federal funds.

State matching funds for the federal aging grant is equal to 5.88 percent of the federal funds available. The \$5,000 that was included in the current level for the legacy legislature was moved to in-home services. Differences between the executive request and legislative funding results from a revision of the estimate of available federal funds made during the legislative session.

The following table shows the Aging Services funding from fiscal 1984 through the 1989 biennium.



Table 1  
Aging Services  
Fiscal 1984 through Fiscal 1986 and 1989 Biennium

Federal Funds	Fiscal 1984	Fiscal 1985	Fiscal 1986 <sup>1</sup>	Fiscal 1988	Fiscal 1989
Social Services III-B	\$1,249,054	\$1,141,222	\$1,328,720	\$1,264,878	\$1,264,878
Cong. Units III-C1	1,741,457	1,813,467	1,584,757	1,654,613	1,654,613
Home Del. Meals III-C2	370,897	392,575	229,665	352,143	352,143
Cash-in-lieu of Comm.	445,344	504,849	377,424	626,980	626,980
Title IV Training	31,517	38,927	24,439	30,000	30,000
Total Federal Funds	\$3,838,269	\$3,891,040	\$3,545,005	\$3,928,614	\$3,928,614
General Fund					
State Match	\$ 189,828	\$ 178,027	\$ 178,867	\$ 192,449	\$ 192,449
Information/Referral	126,685	135,808	126,065	137,681	137,681
In-Home Service	273,600	257,357	289,627	321,000	316,000
Legacy Legislature	5,000	5,000	5,000	0	0
Total General Fund	\$ 595,113	\$ 576,192	\$ 599,559	\$ 651,130	\$ 646,130
Total Program Costs	\$4,433,382	\$4,467,232	\$4,144,564	\$4,579,744	\$4,574,744

<sup>1</sup> Does not include \$33,164 budget amendment expenditures.

**Foster Care:** Through contracts with local providers, the foster care program provides a continuum of alternative residential services for children. During fiscal 1986, foster care services were provided to 2,581 children at an overall average cost of \$2,882 per child.

The increase in total foster care costs are attributable to the increase in the average cost per child for intensive residential care services both in-state and out-of-state. In fact, for out-of-state placements, despite an actual decline in the number of children served from 56 in fiscal 1985 to 48 in fiscal 1986, the cost per child increased \$2,057 as a result of increases in the length of stay and the daily cost of service. The less intensive (and less expensive) services did not experience a similar rate of growth. The average cost per child actually declined for group home care, while shelter care and foster family experienced only a moderate rate of growth.



Funding for the foster care program is a mix of federal, state, and county funds that depend on the eligibility of the child for a particular type of program and whether the child is located in a county where the state has assumed responsibility for the welfare program. In addition to increases in the total cost of the foster care program, the general fund portion of the total costs has also increased. The following table shows funding for the foster care program from fiscal 1984 through fiscal 1989.

Table 2  
Comparison of Foster Care Funding  
Fiscal 1984 through Fiscal 1989

Type of Fund	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1988	Fiscal 1989	% Increase 1984-1989
County Funds	\$ 657,832	\$ 862,796	\$1,155,602	\$1,367,286	\$1,379,393	109.7
Federal Funds	1,451,651	1,298,903	1,429,245	1,690,834	1,706,156	17.5
General Funds	2,804,019	3,510,968	4,442,184	4,823,259	4,901,324	74.8
Total Funds	<u>\$4,913,502</u>	<u>\$5,672,667</u>	<u>\$7,027,031</u>	<u>\$7,881,379</u>	<u>\$7,986,873</u>	<u>62.5</u>

Funding for the foster care program during the 1989 biennium was set at the fiscal 1987 anticipated level of expenditure. As may be seen from the above table, costs for the foster care program have increased from \$4,913,502 in fiscal 1984 to \$7,881,379 in fiscal 1988 or an increase of 60.4 percent in four years. The difference between the executive request and legislative funding results from the legislature approving a 2 percent increase in rates paid to foster care service providers as described under Modifieds Approved, #2.

#### Modifieds Approved:

1. Foster Care - Additional funding of \$250,000 per year, was approved to provide community intervention services as a method of reducing more expensive residential treatment programs for foster care youth. Funding for the additional services are \$218,750 general fund and \$31,250 county funds each year of the biennium.
2. A 2 percent rate increase for foster care providers - A 2 percent increase was approved for providers for each year of the biennium. During fiscal 1988, the 2 percent increase was to be applied equally to all residential care providers except foster families. During fiscal 1989, the 2 percent increase was to be incorporated in a rate adjustment schedule that was developed jointly by the providers and SRS. Cost of the increase will be \$103,425 in fiscal 1988 of which \$76,535 is general fund and \$208,919 in fiscal 1989 of which \$154,600 is general fund.
3. Children's Trust Fund - \$89,000 per year of the 1989 biennium was approved to be used by the department to develop and implement a state plan for abused children and to better coordinate services currently provided. These funds are state special revenue funds from the Children's Trust Fund Account.

AGENCY: DEPARTMENT OF FAMILY SERVICES

LEGISLATIVE ACTION

PROGRAM: MOUNTAIN VIEW SCHOOL

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Legislature	
FTE	64.49	67.49	0.00	67.49	67.49	3.00
Personal Services	\$1,453,936	\$1,528,116	\$ 6,139	\$1,536,372	\$1,542,845	5.52
Operating Expenses	250,646	324,747	(4,184)	323,502	327,386	27.89
Equipment	1,337	1,902	1,098	1,259	0	124.38
Non-Operating	63,200	0	0	0	0	-100.00
TOTAL EXPENSES	\$1,769,119	\$1,854,765	\$ 3,053	\$1,861,133	\$1,870,231	5.01
FUNDING						
General Fund	\$1,661,604	\$1,739,326	\$(5,336)	\$1,746,590	\$1,747,299	4.36
State Special Revenue	1,715	15,982	0	14,982	14,982	531.90
Federal Revenue	105,800	99,457	8,389	99,561	107,950	1.93
TOTAL FUNDING	\$1,769,119	\$1,854,765	\$ 3,053	\$1,861,133	\$1,870,231	5.01

Program Description: Mountain View School is responsible for the care, education and rehabilitation of juvenile girls who are committed to the school by district courts. The school also contracts with the federal government to care for girls who are in federal custody. The school is transferred to the Department of Family Services as the result of passage of House Bill 325.

The average daily population of the school was nearly 56 girls in fiscal 1986 compared with 39 in fiscal 1984 and a budgeted population of 45. The population is continuing to grow in fiscal 1987 with a current average daily population of nearly 59 girls.

The fiscal 1986 expenditures reflected in the table above do not include expenditures of the youth detention facility funded in fiscal 1986 but eliminated during Special Session III in June 1986.

Budget: To meet the pay plan shortfall in fiscal 1987, 1.8 FTE are deleted. A vacancy savings rate of 1 percent is applied to direct care staff while a 4 percent rate is applied to non-direct care staff. Operating expenses increase 27.9



percent as a result of adding the medical costs of \$22,781 each year that were budgeted and paid out of the corrections medical budget in fiscal 1986. Contracted services have been increased \$9,619 to provide housekeeping services as the school does not have housekeeping staff. Psychiatrist consultations were increased \$1,370 and insurance fees increased \$1,401. Audit fees for the biennial audit are included at \$9,240. Merchandise for resale is increased \$12,000 to expand the school's canteen operation to meet the anticipated demand. Federal indirect costs are included at \$3,500 each year of the biennium. The approved modified adds incremental operating costs of \$27,399 each year.

A biennial appropriation of \$3,000 was approved to allow equipment purchases at the discretion of the department.

Funding: The school is funded primarily from the general fund. However, the school operates a canteen funded through the sale of products to the girls with authority in a state special revenue canteen fund. The school also has state special revenue donated funds of \$3,000 in fiscal 1988 and \$2,000 in fiscal 1989.

The school's federal funds consist of federal boarder reimbursement of \$10,000 each year, school foods of \$58,704 each year and ECIA Title I funds of \$39,142 in fiscal 1988 and \$39,246 in fiscal 1989.

Modifieds Approved:

1. Population Increase - A modified request was approved for staff and the incremental operating expenses of an anticipated population increase to 70 average daily population. This action adds 4.8 FTE costing \$84,086 in fiscal 1988 and \$85,235 in fiscal 1989. Operating costs increase \$27,399 each year. Overall general fund increases \$111,485 in fiscal 1988 and \$112,634 in fiscal 1989.

Other Legislation:

1. House Bill 325 - transfers the Mountain View School from the Department of Institutions to the Department of Family Services. While Mountain View School had agency status within institutions, it is a program within the Department of Family Services.

2. House Bill 870 - requires the Department of Institutions to adjust teachers' salary schedules to increase teacher's salaries at the institutions. The bill provides an appropriation to the Department of Institutions to fund the increases.

Difference From Executive: The major differences between the executive budget and the appropriation are: 1) vacancy savings is approved at 1 percent for direct care staff and 4 percent for non-direct care staff compared with an overall 4 percent rate in the executive budget; 2) the executive budget includes audit fees of \$9,240 that are appropriated in the management support program; 3) the legislature added \$9,120 each year for a janitorial contract since the school has no custodial or housekeeping staff; and 4) allowances were reduced \$2,506 each year since the residents no longer perform housekeeping functions.



AGENCY: DEPARTMENT OF FAMILY SERVICES

LEGISLATIVE ACTION

PROGRAM: PINE HILLS SCHOOL

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	116.97	118.77	118.77	0.00	118.77	118.77	0.00	1.80
Personal Services	\$2,568,577	\$2,765,373	\$2,752,609	\$12,764)	\$2,779,705	\$2,765,573	\$14,132)	7.16
Operating Expenses	596,603	678,612	666,022	(12,590)	678,737	678,243	(494)	11.64
Equipment	14,517	605	2,000	\$1,395	450	0	(450)	-86.22
TOTAL EXPENSES	\$3,179,697	\$3,444,590	\$3,420,631	\$23,959)	\$3,458,892	\$3,443,816	\$15,076)	7.58
FUNDING								
General Fund	\$2,594,337	\$2,809,366	\$2,835,740	\$26,374	\$2,823,577	\$2,858,834	\$35,257	9.30
State Special Revenue	45,571	59,169	59,169	0	59,260	59,260	0	29.84
Federal Revenue	539,789	576,055	525,722	(50,333)	576,055	525,722	(50,333)	-2.61
TOTAL FUNDING	\$3,179,697	\$3,444,590	\$3,420,631	\$23,959)	\$3,458,892	\$3,443,816	\$15,076)	7.58

Program Description: Pine Hills School is responsible for the care and custody of juvenile boys aged 10 to 21, who have been sentenced to the institution by the courts. Title 53-30-202, MCA, establishes Pine Hills as a correctional facility to diagnose, care for, train, educate, and rehabilitate children in need of these services. Pine Hills has a capacity of 115 students in five cottages. However, due to the sharp increase in the institution's population, during fiscal 1986 the institution opened an old cottage to house the additional population, which reached a high of 135 students in May 1986. The average daily population at the facility was 120 with an average length of stay of 9 months. The fiscal 1986 current level budget was for an average daily population of 88 with an average length of stay of 6.5 months. The 1989 biennium budget is based on an average daily population of 130 students.

Budget: To meet the pay plan shortfall in fiscal 1987, 3.0 FTE are deleted. A vacancy savings rate of 1.7 percent was applied to direct care staff while a 4 percent rate was applied to non-direct care staff. Operating expenses have been increased \$41,923 for medical costs that were previously budgeted and paid out of the corrections medical budget. Audit fees are increased \$10,618 in fiscal 1988 to reflect the full cost of the schools biennial audit. The canteen authority is increased \$10,942 to allow sufficient authority for the anticipated demand.

A biennial appropriation of \$2,000 was approved to allow the agency to purchase equipment at their discretion.

### Modifieds Approved:

1. Population Increase - A modified request was approved to add staff and the incremental operating cost for an anticipated population increase to an average daily population of 130 for the 1989 biennium. This action adds 4.8 FTE costing \$84,947 in fiscal 1988 and \$85,235 in fiscal 1989 while additional operating costs add \$17,427 in fiscal 1988 and \$17,845 in fiscal 1989. Additional medical costs of \$3,064 each year are added for the additional population.

Funding: The school is funded primarily from the general fund which increases 9.3 percent from fiscal 1986 to fiscal 1988. The school's state special revenue consists of alcohol earmarked funds to fund a 1.0 FTE alcohol counselor costing \$29,669 in fiscal 1988 and \$29,760 in fiscal 1989, canteen funds of \$25,000 each year and donations of \$4,500 each year of the biennium.

Federal and other funds consist of school foods of \$90,000 each year, ECIA Title I funds of \$80,802 each year, ECIA Title IV funds of \$900 each year, and federal boarder reimbursement of \$54,020 each year of the biennium. The school also receives funds from an interest and income account managed by the Department of State Lands. These revenues are projected to be \$300,000 each year of the biennium.

### Other Legislation:

1. House Bill 325 - transfers the Pine Hills School from the Department of Institutions to the Department of Family Services. While Pine Hills School had agency status within institutions, it is a program within the Department of Family Services.

2. House Bill 870 - requires the Department of Institutions to adjust teachers' salary schedules to increase teachers' salaries at the institutions. The bill provides an appropriation to the Department of Institutions to fund the increases.

Difference From Executive: The major differences between the executive budget and the appropriation are: 1) vacancy savings is approved at 1.7 percent for direct care staff and 4 percent for non-direct care staff compared with an overall 4 percent rate in the executive budget which is \$16,979 less in fiscal 1988 and \$18,108 in fiscal 1989 than the appropriation; 2) the executive applied new workers' compensation rates to Pine Hills as a result of the consolidation into the Department of Family Services which were not approved by the legislature; 3) the executive had \$11,040 too much health insurance in each year that was not included in the appropriation; 4) the executive budget included \$12,096 for audit fees that are appropriated in the management support program; 5) the legislature approved a biennial equipment appropriation of \$2,000 compared with the executive budget of \$605 in fiscal 1988 and \$450 in fiscal 1989; and 6) the executive budget included interest and income of \$350,000 per year based on the loss of oil lease revenue on state owned lands.



AGENCY: DEPARTMENT OF FAMILY SERVICES

LEGISLATIVE ACTION

PROGRAM: AFTERCARE SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	6.00	6.00	0.00	6.00	6.00	0.00	6.00
Personal Services	\$0	\$158,062	\$158,062	\$ 0	\$158,116	\$158,116	\$ 0	N/A
Operating Expenses	0	240,986	243,764	2,778	240,986	243,764	2,778	N/A
Equipment	0	36,071	30,000	(6,071)	29,138	0	(29,138)	N/A
TOTAL EXPENSES	\$0	\$435,119	\$431,826	\$(3,293)	\$428,240	\$401,880	\$(26,360)	N/A
FUNDING								
General Fund	\$0	\$432,319	\$429,026	\$(3,293)	\$425,440	\$399,080	\$(26,360)	N/A
Federal Revenue	0	2,800	2,800	0	2,800	2,800	0	N/A
TOTAL FUNDING	\$0	\$435,119	\$431,826	\$(3,293)	\$428,240	\$401,880	\$(26,360)	N/A

**Program Description:** This program is transferred from the Department of Institutions Corrections Division. The program provides supervision for adjudicated youth in need of supervision or juvenile delinquent. The program provides placements in four group homes or in independent living.

**Budget:** The budget provides for 6.0 FTE aftercare counselors and an average daily population of 26 youths. A biennial appropriation of \$30,000 was approved for the purchase of equipment. There were no specific items that correspond to the equipment appropriation; however, much of the discussion centered on the need to replace ten year old vans.

**Funding:** This program is funded entirely with general fund except for \$2,800 of interest and income each year of the biennium.

**Difference From Executive:** The major differences between the executive budget and the appropriation are: 1) operating costs of \$2,778 each year associated with the aftercare program supervisor are included in this program instead of the management support program where the position is funded; and 2) the legislature authorized a \$30,000 biennial equipment appropriation to be spent at the agency's discretion compared with the request of \$36,071 in fiscal 1988 and \$29,138 in fiscal 1989.



AGENCY: DEPARTMENT OF FAMILY SERVICES

LEGISLATIVE ACTION

PROGRAM: YOUTH EVALUATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	6.00	6.00	0.00	6.00	6.00	0.00	6.00
Personal Services	\$0	\$120,122	\$120,122	\$ 0	\$120,003	\$120,003	\$ 0	N/A
Operating Expenses	0	25,595	26,170	575	25,595	26,170	575	N/A
Equipment	0	2,156	0	(2,156)	856	0	(856)	N/A
TOTAL EXPENSES	\$0	\$147,873	\$146,292	\$(1,581)	\$146,454	\$146,173	\$(281)	N/A
GENERAL FUND	\$0	\$147,873	\$146,292	\$(1,581)	\$146,454	\$146,173	\$(281)	N/A

Program Description: The Youth Evaluation Program is transferred from the Department of Institutions Corrections Division. The program provides 45-day evaluations of youths aged 10-17 who have been referred by the courts. These evaluations are provided in a less restrictive community environment rather than in an institutional setting such as Pine Hills or Mountain View.

Budget: The budget provides for an average daily population of 6 youth. The program has 6.0 FTE, including 4.0 FTE cottage life attendants, 1.0 FTE program officer, and a 1.0 FTE social worker.

Funding: This program is funded entirely with general fund.

Difference From Executive: The major differences between the executive budget and the appropriation are: 1) operating expenses of \$575 each year associated with the YEP supervisor are included in this program rather than the management support program where the position is funded; and 2) the executive budget request included equipment of \$2,156 in fiscal 1988 and \$856 in fiscal 1989 that were not approved by the legislature.

AGENCY: MONTANA ARTS COUNCIL

LEGISLATIVE ACTION

PROGRAM: PROMOTION OF THE ARTS

BUDGET ITEM	FY 1986 Actual	Executive	Fiscal 1988 Legislature	Difference	Executive	Fiscal 1989 Legislature	Difference	FY 86-88 % Change
FTE	5.50	7.47	6.84	-0.63	7.47	6.86	-0.61	1.34
Personal Services	\$ 102,470	\$186,022	\$ 173,909	\$ (12,113)	\$185,852	\$174,667	\$ (11,185)	69.72
Operating Expenses	292,797	201,179	197,673	(3,506)	190,467	186,161	(4,306)	-32.49
Equipment	1,545	0	0	0	0	0	0	-100.00
Non-Operating	670,167	132,052	1,367,400	1,235,348	139,096	160,703	22,607	104.04
TOTAL EXPENSES	\$1,066,979	\$519,253	\$1,738,982	\$1,219,729	\$514,415	\$521,531	\$ 7,116	62.98
FUNDING								
General Fund	\$ 118,706	\$117,403	\$ 125,315	\$ 7,912	\$112,585	\$120,154	\$ 7,569	5.57
State Special Revenue	530,718	0	1,211,817	1,211,817	0	0	0	128.34
Federal Revenue	417,555	401,850	401,850	0	401,830	401,377	(453)	-3.76
TOTAL FUNDING	\$1,066,979	\$519,253	\$1,738,982	\$1,219,729	\$514,415	\$521,531	\$ 7,116	62.98

Program Description: The Montana Arts Council was created by the legislature in 1967 in recognition of the increasing importance of art in the lives of Montanans, the need to provide the opportunity for young people to participate in the arts and contribute to the cultural heritage of Montana, and the growing significance of the arts as an element which makes living and vacationing in Montana desirable. The responsibilities of the council are to encourage the study and presentation of the arts, to foster public interest in our cultural heritage and resources, and to encourage and assist in freedom of artistic expression. The grant activity administered by the Montana Arts Council includes: (1) community arts projects; (2) those projects initiated from either the council or by the grant recipient; and (3) projects funded by the cultural and aesthetic project funds and approved by the legislature. The council also administers special projects which include the Artists-in-the Schools Program (AIS), community arts, special project administration, and the Montana Folklife Project.

Budget: Personal services increase 70 percent due to a 1.34 FTE increase, the fiscal 1987 pay plan, and a large amount of vacancy savings in fiscal 1986. The FTE changes are due to: (1) adding 3.47 FTE as employees who were previously under contract; and (2) decreasing a 0.50 FTE organizational services director, a 0.13 FTE agency director, a 1.00 FTE folklorist position, and a 0.50 FTE accountant because the funding is appropriated in House Bill 4 as a cultural and aesthetic grant. No vacancy savings was taken for this agency as it has less than 20 FTE.



The agency has contracted for employees through the Montana Institute of the Arts Foundation for services that are a normal part of the council's business. The Office of the Legislative Auditor, in its most recent audit of the Montana Arts Council, recommended that the Council and the Office of Budget and Program Planning convert the contract employees to state employees. The audit findings state that the council's contracted employees do not fit the criteria of an independent contractor as defined by state law. Section 39-71-120, MCA, defines an independent contractor as follows:

An "independent contractor" is one who renders service in the course of an occupation and:

- (1) has been and will continue to be free from control or direction over the performance of the services, both under his contract and in fact; and
- (2) is engaged in an independently established trade, occupation, profession, or business.

Table 1 shows the cost to convert the positions in this program. The conversion adds 3.47 FTE overall. The contract positions have been budgeted under grants from federal sources in the past. As FTE, they continue as federally funded employees.

Table 1

Cost to Convert Contracted Employees to State Employees

	Fiscal 1988	Fiscal 1989
Added FTE	3.47	3.47
Additional Personal Services Costs	\$ 76,775	\$ 76,507
Contracted Services Savings	(58,351)	(58,321)
Cost to Convert Employees	\$ 18,424	\$ 18,186

Operating expenses decrease \$95,124 from fiscal 1986 to 1988. The major reasons are (1) converting contract employees to FTE for an operating expense reduction of \$58,351; (2) reduced travel of \$5,264; (3) reduced office supplies of \$1,055; (4) appropriating operating expenses of \$33,628 in House Bill 4; and (5) increasing the legislative audit cost \$3,200. The fiscal 1989 operating expenses decrease because the legislative audit of \$11,600 is in fiscal 1988 only.

Grants decrease \$514,584 between fiscal 1986 and 1988 because the cultural and aesthetic grants are not reflected in House Bill 2 since they are appropriated in House Bill 4, which is described below.

Funding: The general fund includes \$20,000 each year, as did fiscal 1986, to fund special projects. The remaining general fund supports a portion of the general operations.



Federal and private funds decrease 3.8 percent from the fiscal 1986 level of \$417,555 to the fiscal 1988 level of \$401,850. The federal funds from the National Endowment of the Arts decrease from \$383,355 in fiscal 1986 to \$332,400 in fiscal 1988 and 1989. The private funds are community matching funds which increase from \$34,200 expended in fiscal 1986 to \$69,450 in each year of the 1989 biennium. Community matching funds for the Artists-in-the Schools, dance and drama program were not appropriated previously. Due to a recommendation by the Office of the Legislative Auditor, the council is requesting the inclusion of the dance and drama community matching funds in the 1989 biennium.

#### Other Legislation:

1. House Bill 4 - appropriates \$1,127,417 for 57 cultural and aesthetic grant projects and \$84,400 for project administration. The cultural and aesthetic grant program is funded with one-third of the interest earnings from the coal tax park acquisition trust fund. The statute (Section 15-35-108, MCA) says that these interest earnings are to be appropriated "for the protection of works of art in the state capitol and other cultural and aesthetic projects."

Interest earnings available for grants are estimated to total \$1,160,000 in the 1989 biennium. These revenues, along with a projected ending fund balance of \$86,975 in fiscal 1987, bring total funds available to \$1,246,975.

Table 2  
Cultural and Aesthetic Grant Program  
1989 Biennium

Funds Available for Appropriation	\$1,246,975
Funding for 57 Grant Projects	1,127,417
Operating Expenses, MT Arts Council	<u>84,400</u>
Ending Fund Balance	<u>\$ 35,158</u>

The grant projects are divided into four categories: (1) special projects; (2) operating support; (3) capital expenditures; and (4) challenge grants. Challenge grants were funded by the legislature for the first time this session and are used to establish permanent endowments. In order to obtain a challenge grant, a group must raise \$3 in matching funds for every \$1 that it receives from the cultural and aesthetic grant program. This same requirement of a three-to-one match applies to capital expenditures. Table 3 shows the funding level for each grant category.

Table 3  
Categories of Project Funding  
Cultural and Aesthetic Grant Program

23	Special Projects	\$ 283,365	25.13%
12	Operating Support	374,800	33.25%
10	Capital Expenditures	179,252	15.90%
12	Challenge Grants	290,000	25.72%
<u>57</u>	Total Projects	<u>\$1,127,417</u>	<u>100.00%</u>

The \$84,400 appropriation for operating expenses reflects a shift in the funding of administrative costs. The Montana Arts Council estimates the total cost of project administration to be \$143,557 for the 1989 biennium. In the 1987 biennium, cultural and aesthetic project funds provided 24 percent of the total administrative costs. In the 1989 biennium, cultural and aesthetic project funds will fund 59 percent of the administrative costs. The increase in the appropriation of cultural and aesthetic project funds will allow an additional \$39,000 of federal funds to be used for grants to artists and art programs.

Table 4 lists the cultural and aesthetic grants authorized in House Bill 4.

Table 4  
Cultural and Aesthetic Projects  
1989 Biennium

<u>Organization</u>	<u>Appropriation</u>
Aleph Movement Theatre	\$ 7,500
Archie Bray Foundation	19,200
Bigfork Art & Cultural Center	6,000
Billings Preservation Society, Moss Mansion Museum	25,000
Billings Symphony Society	15,000
Butte Silver-Bow Arts Chateau	7,752
Copper Village Museum, Endowment	10,000
Custer County Art Center, Operational Support	20,000
Custer County Art Center, Conservation of Permanent Collections	6,165
Daly Mansion Preservation Trust	30,000
Daniels County Museum Association	7,000
Dull Knife Memorial College	5,000
Fort Peck Tribal Museum	10,000
Fox Theatre Corporation	40,000
Gallatin County Historical Society, Endowment	15,000
Garnet Preservation Association	15,000
Great Falls Symphony, Endowment	25,000
Great Falls Symphony/Cascade Quartet	7,500
Helena Civic Center	7,500
Helena Film Society	50,000
Hockaday Center for the Arts	20,000
Livingston Depot Foundation	20,000
Miles Community College	12,000
Milwaukee Rode Cultural Project	10,000
Missoula Children's Theatre, Endowment	20,000
Missoula Children's Theatre, Operational Support	16,000
Missoula Mendelssohn Club	4,000
Missoula Museum of the Arts	25,000
Missoula Symphony Association	40,000
Montana Art Gallery Directors' Association	22,500
Montana Arts Council/Folklife Project	60,000
Montana Association of Symphony Orchestras	5,000

Continued on next page



Table 4, Continued

Montana Ballet Company	\$ 10,000
Montana Chorale, Endowment	10,000
Montana Chorale, Operational Support	6,000
Montana Dance Arts Association	6,000
Montana Historical Society, Oral History	95,000
Montana Institute of the Arts, Operational Support	10,300
Montana Performing Arts Consortium	30,000
Montana United Scholarship Service	30,000
MSU - Media and Theatre Arts Department	25,000
MSU - Museum of the Rockies	10,000
MSU - Shakespeare in the Parks, Operational Support	40,000
MSU - Shakespeare in the Parks, Endowment	15,000
MSU - Vigilante Players, Inc.	20,000
Northern Lights Institute	20,000
Northern Montana College	12,000
P.S., A Partnership	14,000
Salish Kootenai College	15,000
St. Mary's Mission	10,000
String Orchestra of the Rockies	10,000
Twin Bridges Public School	3,000
UM - MT Repertory Theatre	50,000
UM - School of Fine Arts	60,000
Yellowstone Art Center, Montana's Own	20,000
Yellowstone Chamber Players	8,000
Young Audiences of Western MT	15,000
Operating Expenses	84,400
Total Appropriation for Cultural and Aesthetic Projects	<u>\$1,211,817</u>

Difference From Executive: The major differences between the executive budget and the appropriation are: (1) a zero percent vacancy savings is approved compared with a 4 percent rate or approximately \$7,700 additional expense each year more than the executive budget; (2) the cultural and aesthetics funds in House Bill 4 are funding 0.63 FTE costing \$19,225 in fiscal 1988 and 0.61 FTE costing \$18,301 in fiscal 1989 that were included in the executive budget; (3) the cultural and aesthetics funds in House Bill 4 are funding \$4,306 of operating costs each year that were included in the executive budget; (4) audit fees were increased \$800 in fiscal 1988 to cover the costs of the statewide audit that were not included in the executive budget; (5) grants from federal sources were increased \$23,531 in fiscal 1988 and \$22,607 in fiscal 1989 as a result of increased cultural and aesthetics grants funding for operations which were not included in the executive budget; and (6) cultural and aesthetics grant funds of \$1,211,817 for the biennium are added by House Bill 4.

AGENCY: LIBRARY COMMISSION

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1983				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	25.50	27.50	27.50	0.00		27.50	27.50	0.00		2.00
Personal Services	\$ 588,691	\$ 634,364	\$ 654,963	\$20,599		\$ 633,846	\$ 654,327	\$20,481		11.26
Operating Expenses	430,329	401,655	408,361	6,706		381,666	393,683	12,017		-5.10
Equipment	114,618	111,457	114,457	3,000		92,014	95,014	3,000		-0.14
Non-Operating	686,077	507,954	569,309	61,355		519,954	538,876	18,922		-17.02
TOTAL EXPENSES	\$1,819,715	\$1,655,430	\$1,747,090	\$91,660		\$1,627,480	\$1,681,900	\$54,420		-3.99
FUNDING										
General Fund	\$ 542,298	\$ 530,180	\$ 548,652	\$18,472		\$ 502,717	\$ 520,199	\$17,482		1.17
State Special Revenue	528,391	427,317	429,461	2,144		416,839	418,979	2,140		-18.72
Federal Revenue	748,492	697,933	768,977	71,044		707,924	742,722	34,798		2.74
Other Revenue	534	0	0	0		0	0	\$0		-100.00
TOTAL FUNDING	\$1,819,715	\$1,655,430	\$1,747,090	\$91,660		\$1,627,480	\$1,681,900	\$54,420		-3.99

Program Description: The Montana State Library provides direct library services to state government agencies, to persons residing in state institutions, and to blind and physically handicapped residents of Montana. Indirect services are provided to all public libraries through grants to six regional library federations. The State Library serves as a partial federal depository and also collects state government publications. The library was also given statutory responsibility for the Natural Heritage Program by the Forty-ninth Legislature through passage of House Bill 860.

Budget: Personal services increase 11.3 percent as a result of adding 2.0 FTE in the Natural Heritage Program who were budgeted in contracted services in the 1987 biennium and adding 1.0 FTE librarian II funded with private funds. A 1.0 FTE librarian was deleted to meet the pay plan shortfall. Operating costs decrease 5.1 percent due to a decline in coal tax revenues. Non-operating costs decrease 17.0 percent as a result of declining coal tax revenues to pass through as grants to local libraries.

**Funding:** Funding support for the library is provided from the general fund, 0.38 percent of the coal severance tax, and federal funding available under the Library Services and Construction Act (LSCA). Funding for the Natural Heritage Program in the 1987 biennium was provided by state special revenue funds from Department of Fish, Wildlife and Parks license fees, private funds from the Nature Conservancy, and a House Bill 922 appropriation of a grant from the Department of Natural Resources and Conservation resource indemnity trust interest income. Funds from the Office of Surface Mining are added to the funds mentioned above as a fund source for the Natural Heritage Program for the 1989 biennium.

Other Legislation:

1. House Bill 6 - appropriates up to \$177,970 of interest from the resource indemnity trust for the continuation of the Natural Resources Information System (NRIS) and the Natural Heritage Program. These funds and previous RIT funding will be used over a 4-year contract period for start-up costs of these programs; at the end of the period the system will be operational and largely self supporting. These funds are appropriated to the Department of Natural Resources and Conservation for granting to the library.



AGENCY: LIBRARY COMMISSION

## LEGISLATIVE ACTION

## PROGRAM: REFERENCE AND INFORMATION SERVICES

BUDGET ITEM	FY 1986	Fiscal 1988		Fiscal 1989		FY 86-88
	Actual	Executive	Legislature	Executive	Legislature	% Change
FTE	25.50	25.50	25.50	25.50	25.50	0.00
Personal Services	\$ 562,867	\$ 582,914	\$ 601,369	\$ 582,471	\$ 600,812	6.84
Operating Expenses	307,209	318,288	324,994	304,565	316,582	5.79
Equipment	102,675	111,457	114,457	92,014	95,014	11.48
Non-Operating	686,077	507,954	569,309	519,954	538,876	-17.02
TOTAL EXPENSES	\$1,658,828	\$1,520,613	\$1,610,129	\$1,499,004	\$1,551,284	-2.94
FUNDING						
General Fund	\$ 542,298	\$ 530,180	\$ 548,652	\$ 502,717	\$ 520,199	1.17
State Special Revenue	430,613	299,000	299,000	311,000	311,000	-30.56
Federal Revenue	685,383	691,433	762,477	685,287	720,085	11.25
Other Revenue	534	0	0	0	0	-100.00
TOTAL FUNDING	\$1,658,828	\$1,520,613	\$1,610,129	\$1,499,004	\$1,551,284	-2.94

Program Description: The Montana State Library provides direct library services to state government agencies, to persons residing in state institutions, and to blind and physically handicapped residents of Montana. Indirect services are provided to all public libraries through grants to six regional library federations. The State Library serves as a partial federal depository and also collects state government publications.

Legislative Intent: The federal Library Services and Construction Act (LSCA) funds may be transferred between fiscal 1988 and 1989.

Budget: To meet the pay plan shortfall in fiscal 1987, 1.0 FTE librarian has been deleted saving \$14,182 in fiscal 1988 and \$14,157 in fiscal 1989. The modified approved in this program adds a 1.0 FTE librarian funded with private funds. A 1 percent vacancy savings was applied each year of the biennium. Personal services increase 6.8 percent from fiscal 1987 pay increases and a lower vacancy savings rate in the 1989 biennium.

Operating expenses are decreased \$11,572 each year by discontinuing the Butte film service contract. This decrease is offset by an increase of \$6,245 in the Western Library Network. The approved modified adds \$24,056 operating expense in fiscal 1988 and \$25,009 in fiscal 1989.

Equipment includes \$94,514 each year for the purchase of books and \$18,527 in fiscal 1988 for the purchase of a high speed reel-to-reel cassette duplicator used in making tapes for the physically handicapped.

Modifieds Approved:

1. Kellogg Foundation - This modified provides for the continuation of the grant which was approved by budget amendment in fiscal 1986 and 1987. The grant provides 1.0 FTE to conduct formal assessments of rural residents' needs for education and training. The total approved is \$48,500 in fiscal 1988 and \$48,500 in fiscal 1989.

Funding: Funding support for the library is provided from the general fund, 0.38 percent of the coal severance tax, and federal funding available under the Library Services and Construction Act (LSCA). General fund increases 1.2 percent. Coal severance tax decreases 31 percent as coal prices and production decline. LSCA funds increase 1.0 percent from fiscal 1986 to fiscal 1988, but decrease 5.9 percent or \$42,392 from fiscal 1988 to fiscal 1989. The approved modified adds \$48,500 each year of private foundation funds. The library also has a miscellaneous reimbursement fund of \$3,000 which is used for fines or replacement of lost books.

Difference From Executive: The major differences between the executive budget and the appropriation are: 1) a 1 percent vacancy savings rate is applied compared with a 4 percent rate in the executive budget; 2) additional funds from the Kellogg foundation of \$6,706 in fiscal 1988 and \$12,017 in fiscal 1989 became available after the executive budget was completed; 3) the legislature added \$3,000 each year to cover the library's miscellaneous reimbursement fund for lost books and fines; and 4) federal LSCA grant funds exceeded the executive's estimate by \$61,355 in fiscal 1988 and \$18,922 in fiscal 1989.

AGENCY: LIBRARY COMMISSION

## LEGISLATIVE ACTION

PROGRAM: NATURAL RESOURCES/HERITAGE

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	0.00	2.00	2.00	0.00		2.00	2.00	0.00		2.00
Personal Services	\$ 25,824	\$ 51,450	\$ 53,594	\$2,144		\$ 51,375	\$ 53,515	\$2,140		107.54
Operating Expenses	123,120	83,367	83,367	0		77,101	77,101	0		-32.29
Equipment	11,943	0	0	0		0	0	0		-100.00
TOTAL EXPENSES	\$160,887	\$134,817	\$136,961	\$2,144		\$128,476	\$130,616	\$2,140		-14.87
FUNDING										
State Special Revenue	\$ 97,778	\$128,317	\$130,461	\$2,144		\$105,839	\$107,979	\$2,140		33.43
Federal Revenue	63,109	6,500	6,500	0		22,637	22,637	0		-89.70
TOTAL FUNDING	\$160,887	\$134,817	\$136,961	\$2,144		\$128,476	\$130,616	\$2,140		-14.87

**Program Description:** This program was transferred to the library from the Department of Administration by House Bill 860. House Bill 860 gave the responsibility for the Natural Heritage Program and the Natural Resource Information System (NRIS) to the library. The NRIS is a centrally located catalog, index, and referral system to existing natural resource data files and reports. This system permits government and private sector users to readily identify the location, source, and types of information available in state agency files. The Natural Heritage Program provides a systematic inventory and evaluation of the state's natural features that are rare, endangered, or fragile.

**Budget:** The program is approved at the agency requested level which includes 1.0 FTE grade 15 program officer and a 1.0 FTE grade 9 library technician I for the NRIS. These FTE were contracted in fiscal 1986 while the program was getting started, but are included here as FTE. Work for the heritage project will be contracted at \$51,603 in fiscal 1988 and \$56,835 in fiscal 1989. Other costs are included at the fiscal 1986 level for both years of the biennium.

**Modifieds Approved:**

1. Riparian Habitat Study - This modified adds \$11,500 in fiscal 1988 for the study of riparian habitats as part of the Montana Rivers Study for the management of a data base on bald eagles.



Funding: Funding is provided by unused resource indemnity trust funds of \$100,926 carried forward to fiscal 1988. Due to the priority list for grants from the Department of Natural Resources and Conservation, the library has not received any of the grant funds. However, the grant is for two years; therefore, the library has two years from when they receive the funds in which to spend them. Also included are \$52,140 of Fish, Wildlife, and Parks license fees in fiscal 1989 and carryover funds from the Department of State Lands of \$24,535 in fiscal 1988 and \$55,839 in fiscal 1989. The rivers study modified adds \$5,000 state special revenue from the Department of Fish, wildlife, and Parks and \$6,500 from the United States Department of Fish and Wildlife. The Nature Conservancy will provide \$22,637 in fiscal 1989 to complete the funding for this program.

Other Legislation:

1. House Bill 6 - appropriates to the Department of Natural Resources and Conservation \$177,970 of interest from the resource indemnity trust as a grant to the library for the continued development of the Natural Resources Information System (NRIS) and the Natural Heritage Program. The special projects funded with these interest earnings will be added to the library budget when the Department of Natural Resources and Conservation actually makes the grant award as funds become available during the 1989 biennium.

Difference From Executive: The major difference between the executive budget and the appropriation is the vacancy savings rate, which is approved at zero percent compared with 4 percent in the executive budget.

AGENCY: MONTANA HISTORICAL SOCIETY

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	55.50	47.38	48.88	1.50	47.38	48.88	1.50	-6.62
Personal Services	\$1,202,856	\$1,155,997	\$1,172,344	\$16,347	\$1,156,071	\$1,172,405	\$16,334	-2.54
Operating Expenses	658,192	844,769	857,716	12,947	838,896	839,910	1,014	30.31
Equipment	509,105	23,930	19,900	(4,030)	17,597	9,900	(7,697)	-96.09
Non-Operating	357,376	651,320	651,320	0	651,320	651,320	0	82.25
TOTAL EXPENSES	\$2,727,529	\$2,676,016	\$2,701,280	\$25,264	\$2,663,884	\$2,673,535	\$9,651	-0.96
FUNDING								
General Fund	\$1,204,091	\$1,120,370	\$1,121,413	\$1,043	\$1,114,206	\$1,111,737	\$(2,469)	-6.87
State Special Revenue	188,372	0	0	0	0	0	0	-100.00
Federal Revenue	900,347	1,089,073	1,093,780	4,707	1,042,448	1,041,918	(530)	21.48
Other Revenue	434,719	466,573	486,087	19,514	507,230	519,880	12,650	11.82
TOTAL FUNDING	\$2,727,529	\$2,676,016	\$2,701,280	\$25,264	\$2,663,884	\$2,673,535	\$9,651	-0.96

**Program Description:** The Montana Historical Society was established in 1865. Its purpose is to acquire, preserve, and protect historical records, art archival and museum objects, historical places, and sites and monuments for the use and enjoyment of the citizens of Montana.

**Budget:** The agency's FTE decrease by 6.62 FTE from the 1987 biennium to the 1989 biennium. Three special project FTE, including 2.0 FTE librarians for a cataloging project and 1.0 FTE for the Holter collection project, were deleted after completion of the projects. A 0.50 FTE stock clerk, a 0.12 FTE publicity specialist, a 1.0 FTE curator, a 0.50 FTE historic sites preservation officer, a 0.75 FTE administrative assistant, and a 0.75 FTE tour guide were deleted to meet the pay plan shortfall in fiscal 1987. A vacancy savings rate of 4 percent is applied to the general fund in all programs of the Historical Society that have general funded employees.

Operating expenses increase 30.3 percent over the fiscal 1986 actual primarily in three areas: 1) the new addition is now completed and rent increases \$75,586 in fiscal 1988 and \$81,751 in fiscal 1989; 2) the Museum Program

is increased to hire a consultant historian to conduct research and write exhibit script for the new major Montana history exhibit; and 3) ten modifieds were approved adding operating expenses of \$124,693 in fiscal 1988 and \$149,200 in fiscal 1989. Non-operating expenses increase 82.3 percent from the fiscal 1986 actual to fiscal 1988. This increase is for grants of federal preservation funds to local governments for surveying of and planning for historic structures and sites. Non-operating expenses also include transfers as a result of management memo 2-86-5, which requires that all expenditures be recorded as a transfer into the proprietary account. This is to show the total cost of providing a service and the extent to which user charges and sales cover the cost.

Funding: The Montana Historical Society is funded with approximately 42 percent general fund. Other funds consist of donations, federal funds, and proprietary funds from sales in the gift store and sales of the agency's quarterly magazine.

Other Legislation:

1. House Bill 4 - appropriates cultural and aesthetics funds to the Montana Arts Council for regranting to successful applicants. The Montana Historical Society Oral History project is included at \$95,000 for the biennium. The project entails the recording and transcribing of personal reminiscences and experiences of people living in selected communities for the purpose of preserving the history made during the past several decades. This project is part of the Archives Program and was funded from a cultural and aesthetics grant of \$79,294 in the 1987 biennium.

2. House Bill 84 - imposes a statewide 4 percent tax on users of hotel, motel, or campground accommodations. One percent of the proceeds of this accommodations tax is statutorily appropriated to the Historical Society for the installation or maintenance of roadside historical signs and historical sites. The tax is expected to raise \$5 million annually which would amount to \$50,000 annually for the Historical Society.



AGENCY: MONTANA HISTORICAL SOCIETY

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATION PROGRAM

BUDGET ITEM	FY 1986 Actual	----- Executive	Fiscal 1988 Legislature	----- Difference	----- Executive	Fiscal 1989 Legislature	----- Difference	FY 86-88 % Change
FTE	12.50	11.88	11.88	0.00	11.88	11.88	0.00	-0.62
Personal Services	\$280,276	\$281,542	\$283,782	\$ 2,240	\$281,592	\$283,836	\$ 2,244	1.25
Operating Expenses	126,954	212,970	215,901	2,931	205,269	207,508	2,239	70.06
Equipment	486,176	783	0	(783)	0	0	0	-100.00
Non-Operating	60,667	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$954,073	\$495,295	\$499,683	\$ 4,388	\$486,861	\$491,344	\$ 4,483	-47.63
FUNDING								
General Fund	\$508,437	\$432,927	\$439,873	\$ 6,946	\$424,377	\$431,418	\$ 7,041	-13.49
State Special Revenue	150,000	0	0	0	0	0	0	-100.00
Federal Revenue	291,086	62,368	59,810	(2,558)	62,484	59,926	(2,558)	-79.45
Other Revenue	4,550	0	0	0	0	0	0	-100.00
TOTAL FUNDING	\$954,073	\$495,295	\$499,683	\$ 4,388	\$486,861	\$491,344	\$ 4,483	-47.63

Program Description: The Administration Program is responsible for purchasing, accounting and budgeting, personnel, and overall management of the Historical Society.

Budget: A 0.50 FTE stock clerk and a 0.12 FTE publicity specialist were deleted to meet the pay plan shortfall in fiscal 1987. A 4 percent vacancy savings rate is applied to general fund positions only.

Operating expenses increase 70.1 percent almost entirely due to the increase in rent resulting from the addition completed in fiscal 1986. The rent increase over fiscal 1986 amounts to \$76,586 in fiscal 1988 and \$81,751 in fiscal 1989. Also included in fiscal 1988 is an increase of \$11,162 to reflect the total cost of the society's biennial audit. The purchase of the Russell collection was coded to equipment and non-operating in fiscal 1986. There is no equipment included in this program for the 1989 biennium.

Funding: Private donations total \$32,696 in fiscal 1988 and \$32,638 in fiscal 1989 while federal historic sites preservation funds total \$27,114 in fiscal 1988 and \$27,288 in fiscal 1989.

Difference From Executive: The major differences between the executive budget and the appropriation are: 1) vacancy savings are applied to general funded positions only increasing total costs \$2,240 in fiscal 1988 and \$2,244 in fiscal 1989 above the executive budget; 2) computer service charges are \$1,958 more in fiscal 1988 and \$2,235 more in fiscal 1989 than the executive budget; 3) \$973 of statewide audit costs are added in fiscal 1988 above the amount requested by the executive; and 4) the legislature did not approve the executive equipment request for a typewriter costing \$783 in fiscal 1988.

AGENCY: MONTANA HISTORICAL SOCIETY

LEGISLATIVE ACTION

PROGRAM: LIBRARY PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	7.00	5.00	5.00	0.00		5.00	5.00	0.00		-2.00
Personal Services	\$155,682	\$128,014	\$128,014	\$ 0		\$128,371	\$128,371	\$ 0		-17.77
Operating Expenses	40,004	32,354	32,354	0		31,954	31,954	0		-19.12
Equipment	12,764	22,147	19,900	(2,247)		15,847	9,900	(5,947)		55.91
TOTAL EXPENSES	\$208,450	\$182,515	\$180,268	\$(2,247)		\$176,172	\$170,225	\$(5,947)		-13.52
FUNDING										
General Fund	\$150,653	\$156,441	\$154,194	\$(2,247)		\$160,098	\$154,151	\$(5,947)		2.35
Federal Revenue	57,797	26,074	26,074	0		16,074	16,074	0		-54.89
TOTAL FUNDING	\$208,450	\$182,515	\$180,268	\$(2,247)		\$176,172	\$170,225	\$(5,947)		-13.52

Program Description: The Montana Historical Society Library collects, preserves, organizes, and makes accessible to the public, published material concerning the history of Montana and the surrounding region.

Budget: Personal services decrease 17.8 percent to fiscal 1988 because two librarian FTE hired in fiscal 1986 for the newspaper cataloging project that is not continued in the 1989 biennium are deleted. Operating expenses decrease 19.1 percent due to completion of the newspaper cataloging project funded in fiscal 1986. Equipment of \$9,900 is included each year for the acquisition of books, and \$10,000 was approved in fiscal 1988 for upgrading the microcomputer system.

Modifieds Approved:

1. Microcomputer Upgrade - Donated funds authority of \$10,000 in fiscal 1988 was approved to allow the upgrade of the microcomputer system that serves the library, archives, photo archives, and museum programs.

Funding: Donated funds are \$13,200 in fiscal 1988 and \$3,200 in fiscal 1989 and fees for copy services are \$12,874 each year of the biennium.

Difference From Executive: The legislature did not approve the executive's equipment request for microfilm cabinets costing \$2,247 in fiscal 1988 and a microfilm reader/printer in fiscal 1989 costing \$5,947.



AGENCY: MONTANA HISTORICAL SOCIETY

LEGISLATIVE ACTION

PROGRAM: MUSEUM PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	9.50	8.50	8.50	0.00	8.50	8.50	0.00	-1.00
Personal Services	\$164,738	\$200,807	\$203,130	\$2,323	\$200,734	\$203,058	\$ 2,324	23.30
Operating Expenses	95,283	169,691	169,691	0	135,588	135,588	0	78.09
Equipment	5,589	0	0	0	1,550	0	(1,550)	-100.00
TOTAL EXPENSES	\$265,610	\$370,498	\$372,821	\$2,323	\$337,872	\$338,646	\$ 774	40.36
FUNDING								
General Fund	\$211,847	\$205,056	\$207,379	\$2,323	\$206,568	\$207,342	\$ 774	-2.11
Federal Revenue	53,763	165,442	165,442	0	131,304	131,304	0	207.72
TOTAL FUNDING	\$265,610	\$370,498	\$372,821	\$2,323	\$337,872	\$338,646	\$ 774	40.36

Program Description: The Museum Program is responsible for collecting, preserving, and interpreting art and artifacts representative of Montana's past. This program is supported with general fund and private donations.

Budget: To meet the pay plan shortfall in fiscal 1987, 1.0 FTE museum curator was deleted. Personal services increase even after deleting the curator because of vacancy savings generated in fiscal 1986. Personal services savings totaled \$46,497 in fiscal 1986 because a 1.0 FTE carpenter and a 0.50 FTE graphic arts technician position were left vacant all year, and a research aide position was vacant nearly half the year. A 4 percent vacancy savings factor is applied to general fund positions only.

Operating expenses increase 78.1 percent as a result of the museum renovation project as activities for the completion of the museum reach a peak in fiscal 1988 and then decline in fiscal 1989.

Modifieds Approved:

1. Artifact Conservation - Appropriation authority was approved for a federal grant of \$4,160 in fiscal 1988 for artifact conservation work for the new Montana history exhibit.

2. Public Photo - Appropriation authority of \$3,000 each year was approved for private donations funds to be used to provide photographs to the public on a cost recovery basis.

3. Museum Exhibit Renovation - Appropriation authority of \$40,000 each year of donated funds was approved to complete museum exhibit renovations.

Funding: Federal revenue is donated funds which increase 207.7 percent from fiscal 1986 to fiscal 1988 as activities for the completion of the museum reach a peak in fiscal 1988 and then decline in fiscal 1989.

Difference From Executive: Vacancy savings is applied to general funded positions only costing \$2,323 more in fiscal 1988 and \$2,324 more in fiscal 1989 than the executive budget. The legislature did not approve the executive equipment for a hygrothermograph costing \$1,550 in fiscal 1989.

AGENCY: MONTANA HISTORICAL SOCIETY

LEGISLATIVE ACTION

PROGRAM: MAGAZINE PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	6.00	6.00	6.00	0.00	6.00	6.00	0.00	0.00
Personal Services	\$135,935	\$133,801	\$139,417	\$ 5,616	\$133,529	\$139,135	\$ 5,606	2.56
Operating Expenses	292,047	332,990	346,670	13,680	373,728	380,745	7,017	18.70
Equipment	2,190	0	0	0	0	0	0	-100.00
Non-Operating	41,320	41,320	41,320	0	41,320	41,320	0	0.00
TOTAL EXPENSES	\$471,492	\$508,111	\$527,407	\$19,296	\$548,577	\$561,200	\$12,623	11.86
FUNDING								
General Fund	\$ 41,323	\$ 41,538	\$ 41,320	\$ (218)	\$ 41,347	\$ 41,320	\$ (27)	-0.01
Other Revenue	430,169	466,573	486,087	19,514	507,230	519,880	12,650	13.00
TOTAL FUNDING	\$471,492	\$508,111	\$527,407	\$19,296	\$548,577	\$561,200	\$12,623	11.86

Program Description: The Magazine Program is responsible for publishing Montana, the Magazine of Western History, society sponsored quarterlies, books, brochures, catalogs, prints, and other publications. Additionally, this program is responsible for the operation of the society's museum store and merchandising program.

Budget: Vacancy savings is not applied to this program. The program converted one grade 10 FTE to a grade 12 and one grade 10 FTE to a grade 5. Merchandise for resale in the gift shop/book store decreases \$16,822 for expenditures made through a budget amendment. This decrease is offset by a \$2,290 inventory adjustment. The approved modifieds add operating expenses of \$68,700 in fiscal 1988 and \$103,700 in fiscal 1989.

Modifieds Approved:

1. Magazine Promotion - Additional authority in the magazine proprietary account is approved to promote awareness of the western history magazine. This modification costs \$5,000 each year and requires that the amount be generated from the sale of the magazine.



2. Centennial Increase - This modification increases proprietary fund authority based on anticipated increased tourism sales in the society's gift shop during the centennial. Total authority added is \$30,000 in fiscal 1988 and \$40,000 in fiscal 1989.
3. Centennial Press Expansion - Additional proprietary fund authority of \$15,000 in fiscal 1988 and \$40,000 in fiscal 1989 is approved to provide new special publications associated with the centennial.
4. Expanded Subscriptions - Additional proprietary fund authority is approved to allow for 2,000 additional subscribers based on a fiscal 1987 approved budget amendment. Total authority added is \$18,700 each year of the biennium.

Funding: General fund is included to fund 22.8 percent of the cost of publishing Montana, the Magazine of Western History. The remainder is financed from magazine sales estimated at \$231,057 in fiscal 1988 and \$230,466 in fiscal 1989. Proprietary funds of \$84,994 in fiscal 1988 and \$109,805 in fiscal 1989 are provided for publications and \$169,355 in fiscal 1988 and \$179,609 in fiscal 1989 is provided for the operation of the merchandising activities. The magazine sales proprietary account has been increased \$41,320 each year to reflect the requirements of management memo 2-86-5. Management memo 2-86-5 states: "The reporting of a proprietary operation's activity within one fund is essential for readers to determine the total cost of providing that service and the extent to which user charges cover that cost. Therefore, amounts provided to proprietary funds from other funds should be classified in accordance with the inter-entity transaction provisions discussed in management memo 2-83-3."

Difference From Executive: The major differences between the executive budget and the appropriation are: 1) a zero percent vacancy savings rate is approved compared with 4 percent in the executive's budget; 2) additional authority of \$18,700 each year was appropriated for additional subscriptions obtained in fiscal 1989 that were not included in the executive budget; 3) the legislature approved \$1,000 less in fiscal 1988 and \$1,500 less in fiscal 1989 for photographic services than the executive budget; and 4) the legislature approved \$3,617 less in fiscal 1988 and \$5,617 less in fiscal 1989 in the enterprise fund than the executive budget.

AGENCY: MONTANA HISTORICAL SOCIETY

LEGISLATIVE ACTION

PROGRAM: PHOTOGRAPH ARCHIVES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	3.50	3.50	0.00	3.50	3.50	0.00	3.50
Personal Services	\$0	\$ 87,583	\$ 87,538	\$ (45)	\$87,623	\$87,578	\$ (45)	N/A
Operating Expenses	0	12,325	16,381	4,056	11,625	11,383	(242)	N/A
Equipment	0	1,000	0	(1,000)	200	0	(200)	N/A
TOTAL EXPENSES	\$0	\$100,908	\$103,919	\$ 3,011	\$99,448	\$98,961	\$ (487)	N/A
FUNDING								
General Fund	\$0	\$ 83,992	\$ 81,319	\$ (2,673)	\$83,132	\$81,961	\$ (1,171)	N/A
Federal Revenue	0	16,916	22,600	5,684	16,316	17,000	684	N/A
TOTAL FUNDING	\$0	\$100,908	\$103,919	\$ 3,011	\$99,448	\$98,961	\$ (487)	N/A

**Program Description:** The Photograph Archives Program is a new program split off from the Archives Program. The program exists to collect, organize, preserve, and make accessible to the public photographic images and other iconographic material pertinent to the study of Montana history, and to provide support for exhibitions and publications of the society and others using such images.

**Budget:** The program has 1.0 FTE archivist, 1.0 FTE photographer, 0.50 FTE library clerk, and 1.0 FTE library technician which were previously in the Archives Program. A 4 percent vacancy savings factor is applied to general fund positions only.

**Modifieds Approved:**

1. L.J. Skaggs Grant - This modification provides \$5,000 of additional private donation appropriations authority in fiscal 1988 to photograph Work Projects Administration murals in post offices.

**Funding:** The federal revenue is private donations to the society.

**Difference From Executive:** The legislature approved the L.J. Skaggs grant of \$5,000 in fiscal 1988 that was not included in the executive budget. The executive's budget for photo copier equipment rent costing \$992 each year and for equipment costing \$1,000 in fiscal 1988 and \$200 in fiscal 1989 was not approved.

AGENCY: MONTANA HISTORICAL SOCIETY

LEGISLATIVE ACTION

PROGRAM: HISTORICAL SITES PRESERVATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	7.00	6.50	6.50	0.00		6.50	6.50	0.00		-0.50
Personal Services	\$169,537	\$168,004	\$172,871	\$4,867		\$167,802	\$172,663	\$4,861		1.97
Operating Expenses	49,569	47,033	47,313	280		43,326	43,326	0		-4.55
Equipment	915	0	0	0		0	0	0		-100.00
Non-Operating	255,389	610,000	610,000	0		610,000	610,000	0		138.85
TOTAL EXPENSES	\$475,410	\$825,037	\$830,184	\$5,147		\$821,128	\$825,989	\$4,861		74.62
		=====	=====	=====		=====	=====	=====		=====
FUNDING										
General Fund	\$ 74,650	\$ 61,467	\$ 66,379	\$4,912		\$ 59,498	\$ 64,359	\$4,861		-11.08
Federal Revenue	400,760	763,570	763,805	235		761,630	761,630	0		90.59
TOTAL FUNDING	\$475,410	\$825,037	\$830,184	\$5,147		\$821,128	\$825,989	\$4,861		74.62
		=====	=====	=====		=====	=====	=====		=====

Program Description: This program is responsible for implementing the National Historic Preservation Act and the State Antiquities Act. Activities include nominating sites to the National Register, reviewing tax certification projects, administering federal grants-in-aid, reviewing federal projects to determine and comment on any impacts to historic and cultural properties, and coordinating with local governments, state agencies, and the public on matters relating to historic preservation.

Budget: To meet the pay plan shortfall in fiscal 1987 a 0.50 FTE historic preservation officer was deleted; continuing the reduction saves \$14,513 in fiscal 1988 and \$14,485 in fiscal 1989. Five FTE historic preservation officers were upgraded from grade 13 to grade 14 at a cost of \$10,330 each year and a 1.0 FTE historic preservation program manager was upgraded at a cost of \$2,419 each year for a total biennial cost of \$25,498. Two temporary FTE added by the 1985 legislature are retained in the 1989 biennium to continue to reduce the backlog of requests from communities seeking nomination of sites to the National Register of Historic Places. A 4 percent vacancy savings rate is applied to general fund positions only.

Legislative audit fees are increased to \$4,060 in fiscal 1988 with 16 percent funded by general fund and 84 percent funded with federal funds, which is the proportion of general fund to total funds expended in fiscal 1986.



Travel was reduced \$2,783, office supplies were reduced \$100, and professional contracts were reduced \$920 while consultant travel was reduced \$2,012. Rent increased \$366 from the fiscal 1986 level of \$7,734 to \$8,100 each year.

Grants were increased \$354,611 to the requested level of \$610,000. This provides for regrants to local governments for historic site preservation. This level coincides with the fiscal 1987 authorized level.

Funding: General fund decreases 11.1 percent from the fiscal 1986 actual to fiscal 1988 while federal funds increase 90.6 percent. Federal funds increase primarily due to the low level of expenditure on grants in fiscal 1986 and the increase in estimated operating funds available in the federal grant based on the agency's request.

Difference From Executive: Vacancy savings is applied to general funded positions only, costing approximately \$4,800 more each year than the executive's budget and statewide audit costs of \$280 in fiscal 1988 are included that were not in the executive's budget.

AGENCY: MONTANA HISTORICAL SOCIETY

LEGISLATIVE ACTION

PROGRAM: ARCHIVES PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	11.00	5.00	6.50	5.00	6.50	-4.50
Personal Services	\$251,380	\$123,918	\$123,918	\$124,155	\$124,155	-50.70
Operating Expenses	33,664	17,531	9,531	17,531	9,531	-71.69
Equipment	1,471	0	0	0	0	-100.00
TOTAL EXPENSES	\$286,515	\$141,449	\$133,449	\$141,686	\$133,686	-53.42
FUNDING						
General Fund	\$199,395	\$138,949	\$130,949	\$139,186	\$131,186	-34.33
State Special Revenue	38,372	0	0	0	0	-100.00
Federal Revenue	48,748	2,500	2,500	2,500	2,500	-94.87
TOTAL FUNDING	\$286,515	\$141,449	\$133,449	\$141,686	\$133,686	-53.42

Program Description: The Archives Program is responsible for collecting, preserving, organizing, and making accessible to the public unpublished material relevant to Montana's history. Also included in this program is the oral history project funded from cultural and aesthetic project grant funds.

Budget: This program decreases 53.4 percent from fiscal 1986 to fiscal 1988 for two reasons. First, the agency has split the Archives Program into two programs, with the other program set up specifically for photographs and related material. This split reduces FTE in this program by 3.5 FTE. The second reason results from not including oral history funds in the 1989 biennium that were appropriated in the 1987 biennium through House Bill 933. A 1.0 FTE historic preservation officer hired for the the Holter Collection project in fiscal 1986 is deleted for the 1989 biennium.

Operating costs decrease 71.7 percent with the completion of three special projects--the Oral History, the federally funded local government handbook, and the Holter Collection projects; and the transfer of costs with the photo archives program.

Modifieds Approved:

1. Advisory Council Travel - This approved modified uses federal grant funds of \$2,500 each year for the twelve member Montana Historical Records Advisory Committee to attend three required meetings per year.

Funding: General fund decreases 34 percent with the transfer of the Photo Archives Program. State special Oral History funds are appropriated in the cultural and aesthetics grants and are not reflected here for the 1989 biennium. The federal and private funds are not available in the 1989 biennium.



AGENCY: MONTANA HISTORICAL SOCIETY

LEGISLATIVE ACTION

PROGRAM: EDUCATION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	2.50	1.00	1.00	0.00	1.00	1.00	0.00	-1.50
Personal Services	\$45,308	\$32,328	\$33,674	\$1,346	\$32,265	\$33,609	\$1,344	-25.68
Operating Expenses	20,671	19,875	19,875	0	19,875	19,875	0	-3.85
TOTAL EXPENSES	\$65,979	\$52,203	\$53,549	\$1,346	\$52,140	\$53,484	\$1,344	-18.84
FUNDING								
General Fund	\$17,786	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	-100.00
Federal Revenue	48,193	52,203	53,549	1,346	52,140	53,484	1,344	11.11
TOTAL FUNDING	\$65,979	\$52,203	\$53,549	\$1,346	\$52,140	\$53,484	\$1,344	-18.84

Program Description: This program is responsible for providing exhibits and materials using society resources and expertise to schools, museums, libraries, and other public institutions throughout the state. Capitol tours are also administered through this program.

Budget: To meet the pay plan shortfall in fiscal 1987, a 0.75 FTE administrative assistant and a 0.75 FTE tour guide are deleted. This action eliminates the capitol tours. Vacancy savings are not applied to this program.

Numerous small base adjustments were made decreasing operating costs \$796.

Funding: Funding for this program is provided by private donations and federal funds. Private donations total \$48,549 in fiscal 1988 and \$48,484 in fiscal 1989 while federal funds are \$5,000 each year of the biennium.

Difference From Executive: Vacancy savings is applied to general funded positions only which increases personal services costs approximately \$1,340 per year above the executive's budget.



**EDUCATION**





AGENCY: BOARD OF PUBLIC EDUCATION

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	2.00	2.00	3.00	1.00	2.00	3.00	1.00	1.00
Personal Services	\$ 65,323	\$ 69,191	\$ 99,006	\$29,815	\$ 69,090	\$ 98,863	\$29,773	51.56
Operating Expenses	37,932	34,505	55,506	21,001	32,221	56,617	24,396	46.33
Equipment	2,420	0	0	0	0	0	0	-100.00
TOTAL EXPENSES	\$105,675	\$103,696	\$154,512	\$50,816	\$101,311	\$155,480	\$54,169	46.21
GENERAL FUND	\$105,675	\$103,696	\$154,512	\$50,816	\$101,311	\$155,480	\$54,169	46.21

**Program Description:** The Board of Public Education is responsible for exercising general supervision over the public school system and is the statutorily designated governing board of the Montana School for the Deaf and Blind and the Montana Fire Services Training School. The board consists of seven members appointed by the Governor and confirmed by the senate.

**Budget:** Three additions were made to personal services: 1) one FTE was added in the 1989 biennium only for an interim study on the adequacy and cost of state accreditation standards; 2) per diem expenses of the board were raised \$2,537 each year to allow board members per diem on the days they must travel to meetings; and 3) other per diem was increased \$2,262 to \$5,600, which will allow \$50 per day per member for eight board meetings each year.

Several adjustments were made to operating expenses: 1) audit costs of \$2,578 were added in fiscal 1988; 2) National Association of State Boards of Education dues of \$4,420 were eliminated; 3) secretarial service costs were reduced \$1,425, as the expense was incurred during a temporary staff shortage; 4) legal fees were reduced \$2,982, as it is anticipated one of the lawsuits currently pending before the board will be settled; 5) \$590 was added each year for administrative rules; 6) \$662 in advertising costs were deleted; 7) travel was increased \$1,805 to allow board members to attend meetings of interest around the state; and 8) \$22,086 in fiscal 1988 and \$25,744 in fiscal 1989 was added for the accreditation study.

Other Legislation:

1. House Bill 871 - appropriates \$23,029 of general fund each year of the biennium to the Board of Public Education to adjust the salaries of certified or licensed faculty of the School for the Deaf and Blind. The funds are added to the School for the Deaf and Blind.
2. House Joint Resolution 16 - requests that a definition of basic education be established, the cost of providing a basic education be determined, a fiscal note procedure linking education policies to the state budget process be developed, and a report of findings be made to the Fifty-first Legislature. As a result of this resolution, 1.0 FTE and \$97,825 in expenses were added to the Board of Public Education budget.
3. Senate Bill 344 - creates a certification standards and practices advisory council and allocates it to the Board of Public Education. The bill also increases the teacher or specialist certificate fee from \$2 to \$4 and appropriates the increased revenues to the Board of Public Education to fund the council. If the number of certifications remains constant at the fiscal 1986 level, approximately \$70,000 will be appropriated to the council each year.

Difference From Executive: The primary difference between the executive budget and the appropriation is due to the addition of the FTE and operating expenses in the 1989 biennium only for the study requested in House Joint Resolution 16.

AGENCY: FIRE SERVICES TRAINING SCHOOL

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	6.00	5.00	5.00	0.00	5.00	5.00	0.00	-1.00
Personal Services	\$183,293	\$156,349	\$162,571	\$ 6,222	\$156,116	\$162,964	\$ 6,848	-11.31
Operating Expenses	53,215	58,198	50,821	(7,377)	56,846	48,476	(8,370)	-4.50
Equipment	5,553	0	0	0	500	2,000	1,500	-100.00
TOTAL EXPENSES	\$242,061	\$214,547	\$213,392	\$(1,155)	\$213,462	\$213,440	\$ (22)	-11.84
FUNDING								
General Fund	\$227,940	\$200,547	\$199,392	\$(1,155)	\$199,462	\$199,440	\$ (22)	-12.52
Federal Revenue	12,501	2,000	2,000	0	2,000	2,000	0	-84.00
Proprietary Fund	1,620	12,000	12,000	0	12,000	12,000	0	640.74
TOTAL FUNDING	\$242,061	\$214,547	\$213,392	\$(1,155)	\$213,462	\$213,440	\$ (22)	-11.84

Program Description: The Fire Services Training School, located in the Great Falls Vocational-Technical Center, is supervised by the Board of Public Education. The purpose of the school is to provide support and training for the state's fire services. The school also provides some public education programs to promote fire safety and prevention.

Budget: The budget provides an 11.84 percent decrease from fiscal 1986 to fiscal 1988. Personal services costs decrease by 11.31 percent due to the reduction of one FTE fire services instructor stationed in eastern Montana. Operating expenses decrease by 4.50 percent between fiscal 1986 and 1988. The reduction is due to removing the expenditures from a non-renewable federal planning grant in the amount of \$12,000 and increasing travel costs by \$1,675 due to the elimination of the fire services instructor. Other operating cost increases are a \$3,000 proprietary account for goods for resale and \$2,000 for resource materials provided by the federal revenue. Audit costs of \$2,578 are included in fiscal 1988 only. Equipment costs decrease from fiscal 1986 to 1988. Three computers were purchased in fiscal 1986. The equipment budget for fiscal 1989 allows for the purchase of components to enhance present equipment.



Funding: The proprietary fund has been maintained at \$12,000 annually, the level established in Special Session III. The intent was that the school would charge fees for the use of materials and audiovisuals provided through the resource library. Federal funds decrease by 84 percent because a one-time federal planning grant for \$12,000 was utilized in fiscal 1986. The \$2,000 in federal grant funds for fiscal 1988 and fiscal 1989 is for resource materials.

Difference From Executive: Personal services are \$13,070 more in the 1989 biennium than the executive proposal because the legislature did not apply the recommended 4 percent vacancy savings. Operating expenses are \$15,747 less than the executive request. The legislature included operating expenses that were lower in contract services - \$10,344, communications - \$1,799, travel - \$6,686, training - \$800, and higher in supplies - \$3,718 and repair and maintenance - \$164. Equipment costs for fiscal 1989 are higher by \$1,500 than the executive request.

AGENCY: SCHOOL FOR THE DEAF AND BLIND

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Difference	
FTE	86.82	84.63	0.00	84.63	0.00	-2.19
Personal Services	\$1,916,671	\$1,954,770	\$ 42,209	\$1,952,819	\$44,238	4.19
Operating Expenses	413,397	460,579	3,594	453,919	7,036	12.28
Equipment	51,269	18,450	(6,450)	10,750	1,250	-76.59
TOTAL EXPENSES	\$2,381,337	\$2,433,799	\$ 39,353	\$2,417,488	\$52,524	3.86
FUNDING						
General Fund	\$1,967,908	\$2,027,194	\$ 60,588	\$2,030,410	\$54,676	6.09
Federal Revenue	413,429	406,605	(21,235)	387,078	(2,152)	-6.79
TOTAL FUNDING	\$2,381,337	\$2,433,799	\$ 39,353	\$2,417,488	\$52,524	3.86

**Program Description:** Montana State School for the Deaf and Blind is a school for children whose hearing and/or vision is so significantly impaired that they are unable to receive an education in the public schools. Approximately 347 children, ranging in age from infancy to 18, are served by the school. Of these, approximately three-fourths are served by the school's Outreach and Itinerant Program. This program serves hearing impaired and visually impaired children in their local communities and through local schools. The remaining one-fourth are served from the Great Falls campus. Seventy-five to 80 students reside on campus during the school year.

**Legislative Intent:** It is the intent of the legislature that the Audiological Services Program be administered by the Special Education Program in the Office of Public Instruction.

**Budget:** Personal services are decreased by three vacant 0.73 FTE teacher positions which were deleted. Vacancy savings was set at 4 percent for the Administration, General Services, and Student Services programs and 1 percent for the Education Program. Operating expenses increase 12.3 percent for the audit, student travel costs, and inflation. Equipment decreased 76.59 percent because fiscal 1986 reflected the purchase of phonic ear equipment at \$30,000 and a van at \$14,662 while fiscal years 1988 and 1989 are budgeted at \$12,000 each year.

**Funding:** Funding for the school comes from Chapter I and Chapter II federal funds, interest and income, athletic event proceeds, federal school food service funds, and the general fund.

AGENCY: SCHOOL FOR THE DEAF AND BLIND

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	5.25	5.00	5.00	0.00	5.00	5.00	0.00	-0.25
Personal Services	\$137,409	\$135,598	\$135,609	\$ 11	\$135,500	\$135,517	\$ 17	-1.31
Operating Expenses	46,832	60,767	62,284	1,517	44,049	44,321	272	32.99
TOTAL EXPENSES	\$184,241	\$196,365	\$197,893	\$1,528	\$179,549	\$179,838	\$289	7.41
GENERAL FUND	\$184,241	\$196,365	\$197,893	\$1,528	\$179,549	\$179,838	\$289	7.41

Program Description: The Administration Program for the School for the Deaf and Blind is responsible for the centralized administrative functions of the school, including accounting, budgeting, personnel, and purchasing.

Budget: A 0.25 FTE administrative clerk position was transferred by the school to the Student Services Program in fiscal 1987. Four percent vacancy savings was taken. Operating expenses increase from fiscal 1986 to fiscal 1988 because of increased insurance costs of \$1,245 and the audit cost increase of \$14,325. There was no equipment approved for this program.

Difference From Executive: The Administration Program is \$1,528 higher in fiscal 1988 than the executive budget primarily due to the addition of state-wide audit costs.



AGENCY: SCHOOL FOR THE DEAF AND BLIND

LEGISLATIVE ACTION

PROGRAM: GENERAL SERVICES PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	6.50	4.00	4.00	0.00	4.00	4.00	0.00	-2.50
Personal Services	\$118,436	\$ 91,171	\$ 91,013	\$ (158)	\$ 91,692	\$ 91,543	\$ (149)	-23.15
Operating Expenses	150,913	160,195	157,712	(2,483)	170,308	167,993	(2,315)	4.51
Equipment	3,510	6,190	0	(6,190)	1,650	0	(1,650)	-100.00
TOTAL EXPENSES	\$272,859	\$257,556	\$248,725	\$(8,831)	\$263,650	\$259,536	\$(4,114)	-8.84
GENERAL FUND	\$272,859	\$257,556	\$248,725	\$(8,831)	\$263,650	\$259,536	\$(4,114)	-8.84

Program Description: The General Services Program is responsible for the maintenance and operation of the school's facilities and grounds.

Budget: The 2.50 FTE decrease between fiscal years 1986 and 1988 is made up of a 0.75 FTE groundskeeper and 1.75 FTE custodial workers all of which were transferred to the Student Services Program and reclassified as cottage life attendants by the school in fiscal 1987. This program had 4 percent vacancy savings applied. Utilities increase by approximately \$10,177 because of inflation. Janitorial supplies were reduced approximately \$2,000 to delete one-time expenditures. There was no equipment approved for this program.

Difference From Executive: The General Services Program is \$12,945 less than the executive budget for the 1989 biennium. Operating expenses are less due to a reduction in supplies, primarily in janitorial supplies. No equipment was approved for this budget. The legislature appropriated \$12,000 annually for equipment for the school to allocate based on need and there was no equipment budget allocated to this program.

LEGISLATIVE ACTION

AGENCY: SCHOOL FOR THE DEAF AND BLIND

PROGRAM: STUDENT SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	27.47	31.95	31.95	0.00	31.95	31.95	0.00	4.48
Personal Services	\$526,660	\$603,951	\$590,984	\$(12,967)	\$603,428	\$590,485	\$(12,943)	12.21
Operating Expenses	99,040	112,183	126,112	13,929	115,127	130,470	15,343	27.23
Equipment	16,851	7,110	4,000	(3,110)	4,200	5,850	1,650	-76.26
TOTAL EXPENSES	\$642,551	\$723,244	\$721,096	\$(2,148)	\$722,755	\$726,805	\$4,050	12.22
FUNDING								
General Fund	\$612,551	\$693,244	\$686,096	\$(7,148)	\$692,755	\$691,805	\$(950)	12.01
Federal Revenue	30,000	30,000	35,000	5,000	30,000	35,000	5,000	16.67
TOTAL FUNDING	\$642,551	\$723,244	\$721,096	\$(2,148)	\$722,755	\$726,805	\$4,050	12.22

Program Description: The Student Services Program is responsible for the care and custody of the approximately 75-80 children residing on the Great Falls campus. The activities include meal preparation, infirmary care, and dorm supervision.

Budget: There were 4.48 FTE transferred to this program from the other three programs. These FTE were reclassified to cottage life attendants to meet the staffing needs for the six cottages. Vacancy savings of 4 percent was applied to this program.

Travel expenses were increased by \$25,246 in fiscal 1988 and \$26,651 in fiscal 1989 for the student transportation program making the total cost of the program \$51,058 and \$52,463 in fiscal years 1988 and 1989. The budget in this program is used to transport the resident children to their homes and back nine times during the school year. This additional money was needed to contract with a private air service to transport approximately 22 students who had previously been able to travel on commercial carriers which have since discontinued the services to the localities where the children reside. This budget correlates with Senate Bill 370 which is intended to provide for the transportation of the school's resident populations to and from their family homes.

The equipment budget of \$12,000 per fiscal year was approved for the school with the understanding that the school would make the determination of equipment priorities. The school intends to purchase the equipment as shown in the following table.

Table 1  
School For the Deaf and Blind - Student Services Program Equipment Budget  
1989 Biennium

<u>Equipment Item</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
3 - Dishwashers	\$ 800	\$ 400
1 - Vacuum	600	-0-
2 - Washer/Dryer Sets	2,600	-0-
1 - Commercial Vacuum	-0-	1,650
2 - Sofa Sets	-0-	1,800
1 - Food Processor	-0-	500
3 - Telecommunication Devices	-0-	510
2 - Telecaption Units	-0-	400
1 - Refrigerator	-0-	590
Total Equipment	<u>\$4,000</u>	<u>\$5,850</u>

Funding: Funding of \$35,000 per year is from the federal school foods program. The remainder of the funding is from general fund.

Other Legislation:

1. Senate Bill 370 - clarifies the method of transportation for a residential student at the Montana School for the Deaf and Blind to and from the student's residence. Transportation will be provided by individual contract with the student's parents or by an approved commercial carrier. This statute is to become part of Title 20, Chapter 8.

Difference From Executive: Personal services are \$25,910 less for the biennium than the executive proposal due to the executive budgeting the cottage life attendant aggregate position 2 steps higher than actual 1986. Operating expenses are \$29,272 higher for the biennium than the executive budget because of increased student transportation costs. The school determined its equipment priorities from a school equipment budget of \$12,000 per fiscal year and did not choose to budget equipment in the student services program as high as the executive budget.



AGENCY: SCHOOL FOR THE DEAF AND BLIND

LEGISLATIVE ACTION

PROGRAM: EDUCATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	47.60	43.68	43.68	0.00		43.68	43.68	0.00		-3.92
Personal Services	\$1,134,166	\$1,124,050	\$1,179,373	\$ 55,323		\$1,122,199	\$1,179,512	\$57,313		3.99
Operating Expenses	116,612	127,434	118,065	(9,369)		124,435	118,171	(6,264)		1.25
Equipment	30,908	5,150	8,000	2,850		4,900	6,150	1,250		-74.12
TOTAL EXPENSES	\$1,281,686	\$1,256,634	\$1,305,438	\$ 48,804		\$1,251,534	\$1,303,833	\$52,299		1.85
FUNDING										
General Fund	\$ 898,257	\$ 880,029	\$ 955,068	\$ 75,039		\$ 894,456	\$ 953,907	\$59,451		6.32
Federal Revenue	383,429	376,605	350,370	(26,235)		357,078	349,926	(7,152)		-8.62
TOTAL FUNDING	\$1,281,686	\$1,256,634	\$1,305,438	\$ 48,804		\$1,251,534	\$1,303,833	\$52,299		1.85

Program Description: The Education Program is responsible for providing an education to the school's 75-80 residents as well as approximately 50 children from the Great Falls area for a total campus population of approximately 125-130. Elementary education and the core curriculum for junior high and high school are provided at the school. Approximately 35 students of junior high and high school age receive some instruction at the Great Falls schools primarily for elective courses. The outreach and itinerant services are provided to approximately 270 children in schools throughout Montana who have visual and/or hearing impairment. This service is provided by four 0.73 FTE teachers.

Legislative Intent: Language in the appropriations bill states that the school will revert general fund if revenues from interest and income exceed \$177,000 each fiscal year.

Budget: There were 1.73 FTE vacant teacher positions transferred from this program to the Student Services Program by the school and reclassified as cottage life attendants. Three vacant 0.73 teacher positions were deleted from this program. Two were vacant all of fiscal 1986 and to date in fiscal 1987. The other position was a classroom and shop teacher position that became vacant in August. The responsibilities of this position were transferred to other teacher positions and the school plans to hold this position open through fiscal 1987. Vacancy savings of 1 percent was taken for this program. An additional \$23,029 each year of the biennium is provided from House Bill 871 to upgrade faculty salaries at the school for the deaf and blind.

Educational supplies of \$2,236 and postage of \$2,335 were reduced each fiscal year to bring these expenditure categories to the fiscal 1986 appropriated expenditure levels. Consulting services were reduced \$2,025 for the Chapter I Program reflecting the decreased federal funds. The budget was increased \$9,750 each year for the school to replace outdated textbooks. This increased the amount budgeted for textbooks to \$27,858 each fiscal year.

The equipment budget of \$12,000 each fiscal year was approved for the school and the school was to decide its priorities as to what equipment should be purchased. The school allocated \$8,000 for fiscal 1988 and \$6,150 for fiscal 1989 for the Education Program. Table 2 shows the equipment the school plans to purchase.

Table 2  
School For the Deaf and Blind - Education Program Equipment Budget

Equipment Item	Fiscal 1988	Fiscal 1989
Typewriters	\$5,700	\$ -0-
Commercial Washer/Dryer	2,300	-0-
2 - Portable Sewing Machines	-0-	360
1 - Commercial Vacuum	-0-	2,000
2 - Telecommunication devices	-0-	340
Computer Equipment	-0-	3,450
Total Equipment	<u>\$8,000</u>	<u>\$6,150</u>

Funding: Funding includes \$168,870 and \$168,426 of Chapter I funds for fiscal years 1988 and 1989, \$3,000 each fiscal year from athletic events, \$1,500 each fiscal year from Chapter II funds, and \$177,000 each fiscal year from the school's interest and income funds. Interest and income funds decrease \$33,673 from fiscal 1986 to fiscal 1988 accounting for the 8.62 percent decline in the federal and other revenues.

#### Other Legislation:

1. House Bill 871 - provides an appropriation of \$23,029 each year of the biennium to adjust the salaries of the licensed or certified faculty at the Montana School for the Deaf and Blind. All faculty are included in the education program budget.

Difference From Executive: Personal services costs are \$112,636 higher than the executive budget due to the adoption of a 1 percent vacancy savings for the school's faculty rather than the 4 percent recommended by the executive, and to the passage of House Bill 871 which provided \$23,029 annually to upgrade faculty salaries. Operating expenses are \$15,633 less than the executive budget due to reductions in consulting services in the Chapter I program, other contract services, educational supplies, and postage. Equipment was prioritized and selected by the school for purchases up to \$12,000 annually. The prioritized choices for the education programs were higher than the executive budget.



AGENCY: SUPERINTENDENT OF PUBLIC INSTRUCTION

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	134.10	129.60	121.90	-7.70		129.60	121.90	-7.70		-12.20
Personal Services	\$3,525,842	\$3,664,634	\$3,438,591	\$(226,043)		\$3,664,124	\$3,438,026	\$(226,098)		-2.47
Operating Expenses	2,038,450	1,749,873	1,617,899	(131,974)		1,707,720	1,576,273	(131,447)		-20.63
Equipment	134,325	55,001	64,374	9,373		37,900	64,378	26,478		-52.08
Non-Operating	388,365	331,910	387,267	55,357		331,910	387,087	55,177		-0.28
TOTAL EXPENSES	\$6,086,982	\$5,801,418	\$5,508,131	\$(293,287)		\$5,741,654	\$5,465,764	\$(275,890)		-9.51
FUNDING										
General Fund	\$3,112,832	\$2,743,104	\$2,485,230	\$(257,874)		\$2,690,945	\$2,451,596	\$(239,349)		-20.16
State Special Revenue	678,908	695,557	654,171	(41,386)		696,893	654,093	(42,800)		-3.64
Federal Revenue	2,295,242	2,362,757	2,368,730	5,973		2,353,816	2,360,075	6,259		3.20
TOTAL FUNDING	\$6,086,982	\$5,801,418	\$5,508,131	\$(293,287)		\$5,741,654	\$5,465,764	\$(275,890)		-9.51

Program Description: The Office of Public Instruction (OPI) provides general supervision of the public primary and secondary schools and postsecondary vocational technical centers in Montana. OPI administers federal and state regulations applicable to the school districts, provides technical and curriculum assistance, monitors federal programs and expenditures, provides state leadership to school districts, and disburses state funds to school districts. The Superintendent of Public Instruction is an elected official and serves a four-year term.

The state administrative function was composed of five programs in the 1987 biennium: Chief State School Officer, Basic Skills, Vocational Education, Administrative Services, and Special Services. The office has reorganized, and is now composed of four programs: Chief State School Officer, Vocational Education, Administrative Services, and Educational Services, which includes the old Basic Skills and Special Services Programs. The narrative that follows includes a breakdown of Educational Services into its component parts of Basic Skills and Special Services for clarity. The state fund disbursement function of the office is included in the Distribution to Public Schools Program.



Language in Bill: All revenues received under the provisions of 20-9-343, MCA, for state equalization aid are appropriated to the superintendent of public instruction for the biennium ending June 30, 1989, for public school support other than special education.

Budget: The reduction of 12.2 FTE results from several factors: 1) the elimination of 3.5 FTE positions due to budget cuts in fiscal 1987; 2) elimination of 2.2 FTE positions due to their vacancy; 3) reduction of the current 1.0 FTE Indian education specialist to a 0.5 FTE due to a reassignment of duties; 4) elimination of 2.0 FTE film clerk positions in the film library due to their vacancy and the lack of self-sufficiency of the library; 5) the addition of 1.0 FTE with the transfer of the Audiology Program from the School for the Deaf and Blind; and 6) the transfer of 5 positions to the Commissioner of Higher Education due to the passage of House Bill 39, which transfers administration of the vocational-technical centers to the Board of Regents. All reductions will be addressed in further detail in the narrative that follows.

Other Legislation:

1. House Bill 39 - This bill transfers governance of the vocational technical centers from the Office of Public Instruction to the Board of Regents. The bill also includes a provision that the Board of Regents is to be the sole state agency for federal vocational education requirements and will contract with OPI for administration and supervision of K-12 vocational education programs, services, and activities under the federal Carl D. Perkins Vocational Education Act.

Funding: Table 1 illustrates federal and state funds received by the Office of Public Instruction and the indirect costs taken on each funding source. The indirect charges directly offset general fund in the Administrative Services Program.

Table 1  
Federal and State Special Revenue - Indirect Charges

Program/Grants(s)	Fiscal 1988		Fiscal 1989	
	Indirect Costs	Total	Indirect Costs	Total
Chief State School Officer Publications	\$ -0-	\$ 21,568	\$ -0-	\$ 13,068
Basic Skills				
Film Library	\$ 10,125	\$ 145,125	\$ 10,125	\$ 145,125
Federal Grants	-0-	13,510	-0-	13,511
Traffic Education	16,102	92,780	16,102	92,819
Johnson-O'Malley	2,100	10,000	2,100	10,000
Veterans' Education	6,086	52,751	6,086	52,808
Drivers' Education	-0-	46,254	-0-	46,333
Vocational Education				
Carl F. Perkins	\$ 29,654	\$ 179,924	\$ 29,656	\$ 179,939
JTPA	7,354	41,160	7,354	41,106
Adult Basic Education	9,198	53,000	9,025	53,000
Administrative Services				
Chapter II	\$ 52,066	\$ 305,082	\$ 52,086	\$ 305,082
Total School Foods	50,065	337,677	50,065	337,838
Computer Search	-0-	4,000	-0-	4,000
Indirect Costs	-0-	387,266	-0-	387,148
Special Services				
Chapter II	\$ 32,107	\$ 173,203	\$ 32,107	\$ 173,213
EHA-B	65,446	435,156	65,446	434,751
Deaf/Blind	11,169	64,354	11,177	64,402
Sex Desegregation	14,106	82,652	14,101	82,625
Chapter I	53,368	322,390	53,358	322,386
Diffusion, Bilingual, Origin	26,000	137,044	26,000	137,009
Drugs and Alcohol	2,320	58,005	2,320	58,005
AIDS	-0-	60,000	-0-	60,000
<b>TOTAL ALL PROGRAMS</b>	<b>\$387,266</b>	<b>\$3,022,901</b>	<b>\$387,108</b>	<b>\$3,014,168</b>

AGENCY: SUPERINTENDENT OF PUBLIC INSTRUCTION		LEGISLATIVE ACTION				PROGRAM: CHIEF STATE SCHOOL OFFICER			
BUDGET ITEM		FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change		
			Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE		3.00	3.00	3.00	0.00	3.00	3.00	0.00	
Personal Services		\$ 91,051	\$ 93,922	\$ 93,922	\$ 0	\$ 93,762	\$ 93,762	\$ 0	
Operating Expenses		55,716	54,810	51,836	(2,974)	46,341	43,368	(2,973)	
Equipment		538	0	0	0	0	0	0	
TOTAL EXPENSES		\$147,305	\$148,732	\$145,758	\$(2,974)	\$140,103	\$137,130	\$(2,973)	
FUNDING									
General Fund		\$128,190	\$127,173	\$124,190	\$(2,983)	\$127,044	\$124,062	\$(2,982)	
Federal Revenue		19,115	21,559	21,568	9	13,059	13,068	9	
TOTAL FUNDING		\$147,305	\$148,732	\$145,758	\$(2,974)	\$140,103	\$137,130	\$(2,973)	

Program Description: The Chief State School Officer Program consists of the superintendent, support staff, and publications, which provides various publications to school districts at cost.

Language in Bill: The Office of Public Instruction shall use its best efforts, including legal proceedings if necessary, to collect by June 30, county surplus revenues under 20-9-331 and 20-9-333.

Budget: Vacancy savings were not taken on the superintendent position. The school laws of Montana are published every two years. Fiscal 1988 includes \$8,500 for this purpose, which represents an increase of \$2,787 over the fiscal 1986 level. The contract with the current deputy superintendent prior to his becoming an employee of the department in fiscal 1986 of \$6,000 was eliminated.

Funding: The superintendent and support staff are funded with general fund. Publications is supported by revenues from the sale of publications to school districts.

Difference from Executive: The difference between the executive and the appropriation is in contracted services, where the legislature eliminated all of a previous contract partially maintained in the executive budget.



LEGISLATIVE ACTION

AGENCY: SUPERINTENDENT OF PUBLIC INSTRUCTION

PROGRAM: BASIC SKILLS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	37.80	34.30	32.80	-1.50	34.30	32.80	-1.50	-5.00
Personal Services	\$ 934,458	\$ 886,460	\$ 887,329	\$ 869	\$ 887,742	\$ 888,871	\$ 1,129	-5.04
Operating Expenses	318,976	265,084	257,145	(7,939)	265,768	257,860	(7,908)	-19.38
Equipment	68,531	33,100	35,000	1,900	33,100	35,000	1,900	-48.93
Non-Operating	19,221	19,221	34,413	15,192	19,221	34,413	15,192	79.04
TOTAL EXPENSES	\$1,341,186	\$1,203,865	\$1,213,887	\$ 10,022	\$1,205,831	\$1,216,144	\$10,313	-9.49
FUNDING								
General Fund	\$ 939,536	\$ 850,309	\$ 853,468	\$ 3,159	\$ 851,540	\$ 855,549	\$ 4,009	-9.16
State Special Revenue	253,629	260,740	237,905	(22,835)	261,334	237,944	(23,390)	-6.20
Federal Revenue	148,021	92,816	122,514	29,698	92,957	122,651	29,694	-17.23
TOTAL FUNDING	\$1,341,186	\$1,203,865	\$1,213,887	\$ 10,022	\$1,205,831	\$1,216,144	\$ 10,313	-9.49

Program Description: This program provides services to school districts in the areas of basic skills instruction, teacher certification, audio-visual library materials, and traffic safety education. The program includes several budget components, including administration, Curriculum Consultants, Audio-Visual Library, Other Federal Grants, Traffic Safety Education, Veterans/Indian Education, and Drivers' Education.

Budget: The reduction in FTE is due to the following: 1) an administrative clerk position was deleted due to budget cuts in fiscal 1987; 2) a 1.0 FTE education program representative and a 0.5 FTE administrative clerk position were deleted due to budget cuts; 3) 2.0 FTE film clerk positions were deleted from the Film Library due to their vacancy and because the film library would not be self-sufficient in the 1989 biennium if the positions were funded; and 4) the Indian education specialist has been partially reassigned, and will now be working 0.5 FTE in the Bilingual and National Origins Programs in Special Services. This position has subsequently been reduced by 0.5 FTE in this program. A currently vacant 0.5 FTE position has been retained in the Special Services Program and will include the other 0.5 FTE of the Indian education specialist.

The reduction in operating expenses of 19.38 percent is cumulatively due to three factors: 1) federal grants received on a budget amendment for math/science were reduced \$54,809; 2) one-time test validation expenses were removed from the budget; and 3) \$6,000 was added each year for lease and upkeep of a portion of the Lewistown airport for the training of emergency vehicle drivers. Equipment consists of \$15,000 for films in the film library each year and \$20,000 each year for vehicles to train emergency vehicle drivers. Non-operating expenses are indirect cost transfers, which fund a portion of the Administrative Services Program.

Funding: General fund declines 9.16 percent due to: 1) the elimination of 1.5 FTE positions and the reduction of the Indian education specialist position to 0.5 FTE; 2) the elimination of \$13,583 in test validation expenses; 3) the reduction in equipment from the fiscal 1986 level; and 4) the use of \$7,900 in federal Johnson-O'Malley funds to support the Indian education specialist.

State special revenue consists of the following: 1) fees to support the audio-visual library, which total \$145,125 in fiscal 1988 and \$145,125 in 1989; and 2) traffic safety education administration funds, totaling \$92,780 in fiscal 1988 and \$92,819 in fiscal 1989. These funds are derived from fines and citations issued by the highway patrol and by GVV fees, and are granted to local schools for drivers' education programs. This portion is retained by OPI for administrative costs.

Federal revenue consists of the following: 1) miscellaneous federal grants, such as Mellon and Northwest Association, totaling \$13,510 each year; 2) Johnson-O'Malley funds totaling \$10,000 each year, which provide partial support to Indian education activities; 3) veterans' education, totaling \$52,751 in fiscal 1988 and \$52,808 in fiscal 1989; and 4) drivers' education fees to provide training to emergency vehicle drivers, totaling \$46,253 in fiscal 1988 and \$46,333 in fiscal 1989. A portion of this total represents use of the current fund balance to purchase vehicles.

The following table summarizes all budget components of the Basic Skills Program.

Table 2  
Basic Skills - Components and Funding

	FTE	General Fund	FISCAL 1988	State Spec Rev	Fed & Other Revenue	Total
Administration	9.13	\$282,402	\$ -0-	\$ -0-	\$ -0-	\$ 282,402
Curriculum Consultants	14.00	481,723	-0-	-0-	-0-	481,723
Audio Visual Library	5.00	50,535	145,125	-0-	-0-	195,660
Misc. Federal Grants	0.00	-0-	-0-	-0-	13,510	13,510
Traffic Safety Education	1.67	-0-	92,780	-0-	-0-	92,780
Indian/Veterans' Education	3.00	38,808	-0-	-0-	62,751	101,559
Drivers' Education	0.00	-0-	-0-	-0-	46,253	46,253
Total Program	<u>32.80</u>	<u>\$853,468</u>	<u>\$237,905</u>	<u>\$122,514</u>	<u>\$1,216,144</u>	<u>\$1,216,144</u>
			FISCAL 1989			
Administration	9.13	\$283,188	\$ -0-	\$ -0-	\$ -0-	\$ 283,188
Curriculum Consultants	14.00	482,313	-0-	-0-	-0-	482,313
Audio Visual Library	5.00	51,241	145,125	-0-	-0-	196,366
Misc. Federal Grants	0.00	-0-	-0-	-0-	13,510	13,510
Traffic Safety Education	1.67	-0-	92,819	-0-	-0-	92,819
Indian/Veterans' Education	3.00	38,807	-0-	-0-	62,808	101,615
Drivers' Education	0.00	-0-	-0-	-0-	46,333	46,333
Total Program	<u>32.80</u>	<u>\$855,549</u>	<u>\$237,944</u>	<u>\$122,651</u>	<u>\$1,216,144</u>	<u>\$1,216,144</u>

Difference from Executive: The difference in FTE between the executive and the appropriation is the cumulative result of the following: 1) the executive budget eliminated the assistant superintendent position, which was retained in the appropriation; 2) the 2.0 FTE eliminated in the film library were included by the executive; and 3) the 0.5 FTE of the Indian education specialist position deleted by the legislature was included in the executive budget. Due to the high cost of the assistant superintendent position, the personal services appropriation is slightly higher than the executive level.



Within operating costs, the executive budget did not eliminate all test validation expenses and did not include the \$6,000 added to operating expenses each year to lease the Lewistown airport for drivers' education.

The difference in non-operating costs is due to a higher level of indirect costs taken on traffic safety education funds than was included in the executive budget, and to indirects being taken on film library income, which was not included by the executive.

The difference in state special revenue is primarily due to a higher anticipated level of film library fees in the executive budget. Within federal funds, the executive budget did not include \$26,000 each year for the increase in the Drivers' Education Program included by the legislature.

AGENCY: SUPERINTENDENT OF PUBLIC INSTRUCTION

LEGISLATIVE ACTION

PROGRAM: VOCATIONAL EDUCATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Legislature	Difference	
FTE	17.15	17.15	-6.20	10.95	-6.20	-6.20
Personal Services	\$492,132	\$540,442	\$(200,514)	\$339,843	\$(200,108)	-30.93
Operating Expenses	87,441	87,299	(25,182)	62,141	(25,193)	-28.96
Equipment	4,525	3,300	700	4,000	700	-11.60
Non-Operating	67,648	67,520	(21,313)	46,034	(21,486)	-31.69
TOTAL EXPENSES	\$651,746	\$698,561	\$(246,309)	\$452,018	\$(246,087)	-30.61
FUNDING						
General Fund	\$302,458	\$314,303	\$(136,136)	\$177,974	\$(135,925)	-41.09
Federal Revenue	349,288	384,258	(110,173)	274,044	(110,162)	-21.53
TOTAL FUNDING	\$651,746	\$698,561	\$(246,309)	\$452,018	\$(246,087)	-30.61

Program Description: This program administers state and federal vocational education funds to school districts, and various other organizations. The program is divided into three budget components: 1) administration; 2) Job Training Partnership Act; and 3) Adult Basic Education. Administration of the vocational-technical centers has been transferred to the Commissioner of Higher Education as a result of House Bill 39, which transfers administration of the centers to the Board of Regents.

Language in Bill: The appropriation includes \$150,271 in fiscal 1988 and \$150,282 in fiscal 1989 of general fund and \$179,925 in fiscal 1988 and \$179,938 in fiscal 1989 of federal funds contingent upon the Board of Regents contracting with the Office of Public Instruction to administer and supervise K-12 vocational education programs, services, and activities in accordance with House Bill 39.

Budget: Five FTE were transferred to the Commissioner of Higher Education as a result of House Bill 39. A 0.2 FTE administrative aide position was deleted from the budget due to its vacancy. A 1.0 FTE program specialist, for which the agency received additional general fund in the 1985 legislative session, was deleted, as the position was never filled. Equipment includes two personal computers each year. Non-operating expenses are internal indirect cost transfers totaling \$46,207 in fiscal 1988 and \$46,034 in fiscal 1989.

Funding: Federal revenue is derived from three sources: 1) Job Training Partnership Act funds, which total \$41,160 in fiscal 1988 and \$41,106 in fiscal 1989; 2) Adult Basic Education, which totals \$53,000 in fiscal 1988 and 1989; and 3) Carl Perkins funds totaling \$179,925 in fiscal 1988 and \$179,938 in fiscal 1989, which fund a portion of the administration of the program. With the exception of indirect costs of \$29,654 in fiscal 1988 and \$29,656 in fiscal 1989, the Carl Perkins funds require a 50/50 state match.

Difference from Executive: Within FTE levels, the executive had included the 1.2 FTE eliminated by the legislature. In addition, the 5.0 FTE transferred to the Board of Regents as a result of House Bill 39 were included in this program. Within general fund, the executive had matched certain federal funds that did not require a match with general fund. The remaining differences are primarily due to the transfer of governance of the vocational technical centers from this program to the Board of Regents.



AGENCY: SUPERINTENDENT OF PUBLIC INSTRUCTION

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATIVE SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	48.30	47.30	47.30	0.00	47.30	47.30	0.00	-1.00
Personal Services	\$1,259,888	\$1,302,720	\$1,303,617	\$ 897	\$1,302,270	\$1,302,316	\$ 46	3.47
Operating Expenses	581,064	547,505	511,994	(35,511)	512,960	478,045	(34,915)	-11.89
Equipment	55,184	0	4,000	4,000	0	4,000	4,000	-92.75
Non-Operating	106,327	50,000	102,131	52,131	50,000	102,131	52,131	-3.95
TOTAL EXPENSES	\$2,002,463	\$1,900,225	\$1,921,742	\$ 21,517	\$1,865,230	\$1,886,492	\$ 21,262	-4.03
FUNDING								
General Fund	\$ 939,997	\$ 834,824	\$ 887,717	\$ 52,893	\$ 799,053	\$ 852,423	\$ 53,370	-5.56
State Special Revenue	425,279	434,817	416,266	(18,551)	435,559	416,149	(19,410)	-2.12
Federal Revenue	637,187	630,584	617,759	(12,825)	630,618	617,920	(12,698)	-3.05
TOTAL FUNDING	\$2,002,463	\$1,900,225	\$1,921,742	\$21,517	\$1,865,230	\$1,886,492	\$ 21,262	-4.03

Program Description: This program is responsible for accounting, budgeting, personnel, public information, program planning and evaluation, legal services, financial aid distribution, and school food services. The program is composed of three budget components: 1) administration; 2) the indirect cost pool; and 3) school foods.

Language in Bill: State and federal funds appropriated to the Office of Public Instruction for operating expenses include internal transfers of indirect costs. The amount of indirect costs in excess of \$387,266 in fiscal 1988 and \$387,108 in fiscal 1989 that is recovered shall cause a like reversion to the general fund.

Legislative Intent: All expenses incurred in fiscal 1986 for the foundation lawsuit totaling \$65,416, have been deleted from the budget. However, it is the intent of the legislature that the department pursue the lawsuit and seek supplemental funding as needed. It is also the intent of the legislature that any indirect costs collected in excess of the appropriated amount be used to offset a like amount of general fund as required in section 3 of the general appropriations act boiler plate, and that any school foods federal funds received in excess of the appropriated amount of \$312,677 in fiscal 1988 and \$312,838 in fiscal 1989 be budget amended.

Budget: A 1.0 FTE administrative clerk position was deleted from the budget due to general fund cuts in fiscal 1987. A 4 percent vacancy savings was applied to all personal services. The decline in operating expenses of 11.89 percent is due to five factors: 1) all foundation lawsuit operating expenses totaling \$59,275 were removed from the budget. The Governor's budget had included \$21,026 of these costs; 2) general fund was appropriated to the vocational education program in fiscal 1986 to fund 2.0 FTE positions. However, a portion of the funds, totaling \$7,477, was expended on operating expenses in this budget component and have, therefore, been deleted from the budget; 3) payroll service fees total \$4,017 in fiscal 1988 and \$3,918 in fiscal 1989, compared with a fiscal 1986 total of \$2,799; 4) audit expenses total \$38,666 in fiscal 1988, compared with a fiscal 1986 total of \$21,842; and 5) operating expenses were reduced \$21,346 in fiscal 1988 and \$21,344 in fiscal 1989 in the Indirect Cost Pool as the program should have fewer administrative costs due to the transfer of governance of the vo-techs to the Board of Regents.

Equipment includes a personal computer each year for school foods. Non-operating expenses are internal transfers of indirect costs.

Funding: General fund is expended in three areas: 1) The state must maintain a level of effort to receive federal school food monies. This level totals \$67,277 each year; 2) the Indirect Cost Pool is partially funded with general fund, totaling \$158,389 in fiscal 1988 and \$161,924 in fiscal 1989; and 3) all functions of administration with the exception of data processing are general funded, totaling \$662,051 in fiscal 1988 and \$623,222 in fiscal 1989.

State special revenue is derived from three sources: 1) resource assessment funds of \$4,000 each year, which are collected from school districts for the costs of computer searches; 2) reimbursements of \$25,000 each year from private schools for the costs of school meals; and 3) indirect costs, which total \$387,266 in fiscal 1988 and \$387,149 in fiscal 1989. Each source directly offsets general fund.

Federal funds are derived from two sources: 1) Chapter II administration funds totaling \$305,082 each year, which are used to fund the department's data processing function; and 2) school food funds, totaling \$312,677 in fiscal 1988 and \$312,838 in fiscal 1989.

Difference from Executive: Within operating expenses, the executive did not eliminate all foundation lawsuit expenses. In addition, the executive budget had included full funding for the Indirect Cost Pool. The legislature reduced the program, as a lower level will be required due to transfer of the vocational technical centers to the Board of Regents.

Within non-operating costs, the executive did not allocate any Chapter II funds for transfer to the indirect cost pool, yet used an estimate of indirect cost revenues which included \$104,000 of these funds. This in effect resulted in spending the same funds twice, resulting in the reduced general fund in the executive budget.



AGENCY: SUPERINTENDENT OF PUBLIC INSTRUCTION

LEGISLATIVE ACTION

PROGRAM: SPECIAL SERVICES

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	27.85	27.85	27.85	0.00		27.85	27.85	0.00		0.00
Personal Services	\$ 748,313	\$ 811,914	\$ 813,795	\$ 1,881		\$ 811,273	\$ 813,234	\$ 1,961		8.75
Operating Expenses	995,253	328,802	734,807	406,005		328,892	734,859	405,967		-26.17
Equipment	5,547	1,500	21,374	19,874		1,500	21,378	19,878		285.33
Non-Operating	195,169	195,169	204,516	9,347		195,169	204,509	9,340		4.79
TOTAL EXPENSES	\$1,944,282	\$1,337,385	\$1,774,492	\$437,107		\$1,336,834	\$1,773,980	\$437,146		-8.73
FUNDING										
General Fund	\$ 802,651	\$ 103,845	\$ 441,688	\$337,843		\$ 103,858	\$ 441,588	\$337,730		-44.97
Federal Revenue	1,141,631	1,233,540	1,332,804	99,264		1,232,976	1,332,392	99,416		16.75
TOTAL FUNDING	\$1,944,282	\$1,337,385	\$1,774,492	\$437,107		\$1,336,834	\$1,773,980	\$437,146		-8.73

Program Description: This program is responsible for administering federal Chapter I, Chapter II, and Special Education funds, as well as several smaller federal programs. The program is also responsible for administering the state's Gifted and Talented and Special Education Programs. The program consists of several budget components: 1) Administration; 2) Special Education; 3) Sex Desegregation; 4) Deaf and Blind; 5) Chapter I; 6) Gifted and Talented; 7) Miscellaneous Federal Funds; and 8) Audiology, which has been transferred to OPI from the School for the Deaf and Blind. All expenses of the Audiology Program when it was in the School for the Deaf and Blind are included in the fiscal 1986 actual figures for comparison.

Legislative Intent: Audiology Program - An annual amount of \$310,200 shall be line-itemed in Special Services for the Audiology Program.

Budget: A 1.0 FTE program specialist position was deleted due to its vacancy. One FTE is added for the Audiology Program, which had no FTE in the School for the Deaf and Blind in fiscal 1986, but had been comprised entirely of contracted services. The additional FTE adds \$31,200 each year of general fund. A 4 percent vacancy savings was applied to all personal services.



Operating expenses are reduced 26.17 percent due to three factors: 1) Contracted services of the Audiology Program totaled \$671,574 in fiscal 1986 when the program was in the School for the Deaf and Blind. Contracted services total \$259,000 each year in this program, for a reduction of \$412,574. Initial screening is currently done by contract with licensed audiologists. This initial screening will now be done by current school staff and other volunteers; 2) federal drug and alcohol and AIDS education funds totaling \$115,685 were added each year; and 3) operating expenses totaling \$29,692 in fiscal 1988 and \$29,642 in fiscal 1989 were added to miscellaneous federal grants, which represent the expenses associated with the deleted 1.0 FTE program specialist in that component. Equipment consists of films in the sex desegregation component totaling \$1,374 in fiscal 1988 and \$1,378 in fiscal 1989, and \$20,000 each year in the Audiology Program.

Funding: General fund funds four functions: 1) 60 percent of the personal services costs of the assistant superintendent and 75 percent of the personal services costs of an administrative secretary in administration, totaling \$51,140 in fiscal 1988 and \$51,054 in fiscal 1989; 2) 100 percent of the personal services costs of the Special Education Program administrator, totaling \$38,954 in fiscal 1988 and \$38,989 in fiscal 1989; 3) all costs of the Gifted and Talented Program, totaling \$41,394 in fiscal 1988 and \$41,345 in fiscal 1989; and 4) the Audiology Program, totaling \$310,200 each year. The reduction of 44.97 percent is primarily due to the total Audiology reduction of \$361,374.

The following table shows federal funds received in the Special Services Program.

Table 3  
Federal Funds - Special Services

<u>Federal Funds</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Chapter II	\$ 173,203	\$ 173,213
Chapter I	322,390	322,387
Special Education	499,510	499,153
Sex Desegregation	82,652	82,625
Miscellaneous, Including Bilingual, National Origin, National Diffusion	137,044	137,009
AIDS	60,000	60,000
Drug and Alcohol	58,005	58,005
Total Federal Funds	<u>\$1,332,804</u>	<u>\$1,332,392</u>

Difference from Executive: The difference in operating costs is due to two factors: 1) the transfer of the Audiology Program from the School for the Deaf and Blind; and 2) the addition of the federal drug and alcohol and AIDS education funds. Within equipment, the difference is due to the \$20,000 each year for equipment in the Audiology Program.

AGENCY: SUPERINTENDENT OF PUBLIC INSTRUCTION

LEGISLATIVE ACTION

PROGRAM: DISTRIBUTION TO PUBLIC SCHOOLS

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
Special Education	\$27,450,020	\$27,361,646	\$27,361,646	\$ 0		\$27,361,646	\$27,361,646	\$ 0		-0.32
Special Education Contingency	392,443	400,000	500,000	100,000		400,000	500,000	100,000		27.41
Transportation	6,048,428	5,781,000	6,200,918	419,918		5,781,000	6,200,918	419,918		2.52
School Foods	626,910	622,250	594,751	(27,499)		622,250	594,751	(27,499)		-5.13
Secondary Vo-Ed	500,000	400,000	0	(400,000)		400,000	0	(400,000)		-100.00
Impact Aid	5,000	5,000	5,000	0		5,000	5,000	0		0.00
Gifted & Talented	97,475	95,000	100,000	5,000		95,000	100,000	5,000		2.59
Adult Basic Education	147,523	156,258	147,523	(8,735)		156,258	147,523	(8,735)		0.00
Federal Discretionary Grants										
a) Vocational Education	2,319,831	0	1,025,000	1,025,000		0	1,025,000	1,025,000		-55.82
b) EHA - B	270,381	0	450,000	450,000		0	400,000	400,000		66.43
c) EHA - SIG	130,867	0	150,000	150,000		0	110,000	110,000		14.62
d) JTPA	337,314	0	475,000	475,000		0	475,000	475,000		40.82
e) Adult Basic Education	403,659	0	425,000	425,000		0	425,000	425,000		5.29
TOTAL EXPENSES	\$38,729,851	\$34,821,154	\$37,434,838	\$2,613,684		\$34,821,154	\$37,344,838	\$2,523,684		-3.34
FUNDING										
General Fund	\$35,120,276	\$34,664,896	\$34,762,315	\$ 97,419		\$34,664,896	\$34,796,137	\$ 131,241		-1.02
State Special Revenue	147,523	156,258	147,523	(8,735)		156,258	113,701	(42,557)		0.00
Federal Revenue	3,462,052	0	2,525,000	2,525,000		0	2,435,000	2,435,000		-27.07
TOTAL FUNDING	\$38,729,851	\$34,821,154	\$37,434,838	\$2,613,684		\$34,821,154	\$37,344,838	\$2,523,684		-3.34

Language in Bill: Language is included for four issues: a) to provide a legislative appropriation for state traffic education; b) to protect special education from budget reductions; c) to clarify the special education contingency fund and provide that it be a biennial appropriation; and d) to make the vocational education grants contingent upon the Board of Regents contracting with OPI to administer K-12 vocational education activities.

Budget: Distribution to public schools is the state fund disbursement function of the Office of Public Instruction. The individual budget components of Distribution to Schools are summarized in the following narrative.



Special Education Federal and state laws direct school districts to provide a free and appropriate public education program for all handicapped children. Special education provides this education for children with a variety of handicapping conditions. The general fund amount of \$27,361,646 each year includes funds to maintain the fiscal 1987 expenses of \$1,824 per student for the anticipated 15,000 children who will participate in the program.

Special Education Contingency Special education contingency funds are granted to meet unexpected needs in district special education budgets and are awarded by the Office of Public Instruction as needed. The appropriated amount of \$1,000,000 over the biennium represents an increase over the \$800,000 biennium amount appropriated in the 1987 biennium.

Transportation School districts providing students transportation from home to school in excess of three miles are entitled to a statutory reimbursement based upon a rate per mile and upon bus size and occupancy. The state's share of this reimbursement totals one-third of the statutory rate. The state's share for special education students equals two-thirds of the statutory rate. The general fund appropriation of \$6,200,918 each year represents the full state reimbursement schedules.

School Foods Schools foods provides for the maintenance of effort required on federal school food reimbursements. Each state must expend up to 30 percent of the federal contribution in the 1980-81 school year. Reductions in this required maintenance of effort level are given to those states whose average income is below the national average. Montana's matching rate is expected to total approximately 23.74 percent, or \$594,751 of general fund each year of the biennium.

Gifted and Talented The Gifted and Talented Program was initiated in fiscal 1982 to provide funds to local school districts to begin or maintain programs for gifted and talented students. The appropriated level of \$100,000 of general fund is the same level as appropriated by the 1985 legislature.

Secondary Vocational Education OPI provided funds to school districts in excess of the school foundation program funds and district levies to fund "excess" costs associated with secondary vocation education programs and provide some property tax relief. "Excess" costs are those additional costs associated with vocation education not associated with other programs, such as additional equipment and full year teaching contracts. Because these grants represented only 2.5 percent of total secondary vocational education costs and were, therefore, insignificant in terms of property tax relief, they were deleted from the budget.

Impact Aid Section 20-9-304, MCA, provides for supplementary payments from the state to school districts that provide education to children of employees of public institutions. The appropriated level of \$5,000 of general fund each year maintains the fiscal 1986 expenditure level.

Adult Basic Education Adult Basic Education provides high school level education to persons who wish to receive their high school equivalency degree. Funds have been provided from 10 percent of the interest on the education trust fund, which is shared with the vocational technical centers. Due to appropriation of the Education Trust by the 1987 legislature and the corresponding loss of interest earnings, general fund was used in fiscal 1989 to maintain funding in that year at the fiscal 1986 expenditure level of \$147,523. Education trust interest totals \$147,523 in fiscal 1988 and \$113,701 in fiscal 1989. General fund totals \$33,822 in fiscal 1989.



Federal Discretionary Funds These funds are received from the U.S. Department of Education for use by local school districts in the manner prescribed by each federal act authorizing the grants. Because the Office of Public Instruction has discretion regarding the final grant recipients, these funds must be appropriated by the legislature.

A portion of the original Vocational Education appropriation, totaling \$2,325,000 each year, was transferred to the Commissioner of Higher Education in accordance with House Bill 39, which transfers governance of the vo-tech centers to the Board of Regents.

AGENCY: VOCATIONAL-TECHNICAL CENTERS

LEGISLATIVE ACTION

PROGRAM: SYSTEM SUMMARY

CENTER	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
Student FTE	2,510	2,311	2,555	244	2,311	2,555	244	45.00
Billings	\$1,658,974	\$1,542,693	\$1,687,615	\$ 144,922	\$1,531,696	\$1,677,076	\$ 145,380	1.73
Butte	1,323,227	1,260,764	1,378,791	118,027	1,246,201	1,364,903	118,702	4.20
Great Falls	1,471,761	1,410,608	1,444,793	34,185	1,398,714	1,433,211	34,497	-1.83
Helena	2,080,609	1,799,198	2,100,932	301,734	1,786,381	2,090,012	303,631	0.98
Missoula	1,990,336	1,713,960	1,935,938	221,978	1,706,613	1,929,783	223,170	-2.73
TOTAL EXPENSES	\$8,524,907	\$7,727,223	\$8,548,069	\$ 820,846	\$7,669,605	\$8,494,985	\$ 825,380	0.27
FUNDING								
General Fund	\$4,640,674	\$3,961,733	\$5,059,241	\$1,097,508	\$3,806,145	\$5,077,942	\$1,271,797	9.02
Tuition and Fees	1,496,675	1,559,925	1,724,625	164,700	1,629,255	1,801,275	172,020	15.23
County Millage	903,288	823,823	800,291	(23,532)	844,463	808,294	(36,169)	-11.40
Education Trust	895,000	776,742	156,438	(620,304)	784,742	0	(784,742)	-82.52
Federal Vo-Ed Funds	589,270	605,000	807,474	202,474	605,000	807,474	202,474	37.03
TOTAL FUNDING	\$8,524,907	\$7,727,223	\$8,548,069	\$ 820,846	\$7,669,605	\$8,494,985	\$ 825,380	0.27

Program Description: Montana's five vocational-technical centers are located in Billings, Butte, Great Falls, Helena, and Missoula and serve approximately 2,500 students annually. House Bill 39 transfers governance of the vocational-technical centers from the superintendent of public instruction to the board of regents of higher education, effective July 1, 1987.

Legislative Intent: Language for audit costs, federal funding, the one and one-half mill levy, and the voted mill levy is shown below:

Audit Costs: Butte, Billings, and Great Falls vocational education centers are to fund 10 percent of the \$21,481 audit costs for each center from non-appropriated sources. The Helena and Missoula centers are to fund 15 percent of the audit costs for each center from non-appropriated sources because these centers also manage the Adult Basic Education Program.

**Federal Funding:** If a vocational-technical center can provide match for federal funds in excess of its share of the \$807,474 federal funds included in the current unrestricted funds each fiscal year of the biennium, then the center may request a budget amendment for the matching and federal funds to pay for additional equipment, training, and programs. The matching funds for any budget amendment shall not come from the current unrestricted funds appropriated in the general appropriations bill.

**County One and One-Half Mill Levy:** The Commissioner of Higher Education may transfer millage collections among centers. Millage received by the centers from the 1.5 mill levy which in the aggregate exceeds \$800,291 in fiscal 1988 and \$808,294 in fiscal 1989 shall cause a general fund reversion of a like amount each year.

**Equipment:** Instructional equipment expenditures shall be funded 50 percent federal and 50 percent general fund.

**Voted Mill Levy:** Any voted millage funds available for the vocational-technical centers are appropriated.

**Budget:** System-wide, the budgets for the vocational-technical centers increase by 0.27 percent from fiscal 1986 to fiscal 1988. Budget changes at each center range from a 4.20 percent increase at Butte to a 2.73 percent decrease at Missoula.

Costs increase at the Billings center by 1.73 percent from fiscal 1986 to fiscal 1988. In fiscal 1986 the Billings center received \$100,000 less than anticipated in federal funds, reducing fiscal 1986 expenditures. The fiscal 1988 revenues reflect a higher federal funding level. At the Butte center costs increase by 4.20 percent from fiscal 1986 to fiscal 1988 because equipment costs are included in the 1989 biennium, but were not included in fiscal 1986 costs since construction funds were available. Federal vo-ed funds received in fiscal 1986 were \$50,000 less than anticipated, but are increased for the 1989 biennium. Costs decrease by 1.83 percent at the Great Falls center between fiscal 1986 and 1988. The decrease results from funding 7 fewer students in fiscal 1988 than were funded in fiscal 1986. Costs at the Helena center remain nearly constant with a 0.98 percent increase from fiscal 1986 to fiscal 1988. Federal funds in fiscal 1986 were lower than anticipated by approximately \$50,000. Fiscal 1988 reflects \$52,647 higher federal vo-ed revenue than was received in fiscal 1986. The Missoula center budget shows a 2.73 percent decrease from fiscal 1986 to 1988 due to enrollment declines.

The vo-tech centers' budgets are estimated with a formula which was implemented in the 1983 session. The formula estimates the centers' budgets in the four areas of instruction, support, plant operations and maintenance, and equipment. The centers are budgeted at 95 percent of the formula funding level. Table 1 summarizes the 1989 biennium budget by program.



Table 1  
Vocational-Technical Centers Budget by Program  
1989 Biennium

<u>Fiscal 1988</u>	<u>Billings</u>	<u>Butte</u>	<u>Great Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>Total System</u>
Instruction	\$ 970,101	\$ 801,820	\$ 823,597	\$1,302,708	\$1,160,163	\$5,058,389
Support	386,132	350,255	377,107	415,897	421,078	1,950,469
Audit	19,333	19,333	19,333	18,259	18,259	94,517
Plant Operations	266,439	164,519	181,537	313,032	287,728	1,213,255
Equipment						
Capital	29,783	29,783	29,783	29,783	29,783	148,915
Variable	15,827	13,081	13,436	21,253	18,927	82,524
<u>Total</u>	<u>\$1,687,615</u>	<u>\$1,378,791</u>	<u>\$1,444,793</u>	<u>\$2,100,932</u>	<u>\$1,935,938</u>	<u>\$8,548,069</u>
<u>Fiscal 1989</u>	<u>Billings</u>	<u>Butte</u>	<u>Great Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>Total System</u>
Instruction	\$ 970,101	\$ 801,820	\$ 823,597	\$1,302,708	\$1,160,163	\$5,058,389
Support	386,167	350,285	377,141	415,935	421,117	1,950,645
Plant Operations	275,198	169,934	189,254	320,333	299,793	1,254,512
Equipment						
Capital	29,783	29,783	29,783	29,783	29,783	148,915
Variable	15,827	13,081	13,436	21,253	18,927	82,524
<u>Total</u>	<u>\$1,677,076</u>	<u>\$1,364,903</u>	<u>\$1,433,211</u>	<u>\$2,090,012</u>	<u>\$1,929,783</u>	<u>\$8,494,985</u>

**Instruction:** The instruction program budget is developed using student FTE enrollment and an instruction rate per FTE. The projected enrollment of 2,555 FTE students represents a three-year average enrollment for all centers except Butte which represents an average for the two years in a new facility. Table 2 shows FTE enrollment for fiscal 1984 through fiscal 1986, and the FTE enrollment budgeted for the 1989 biennium.

Table 2  
Enrollment - Vocational Technical Centers

Center	FY84	Actual FTE FY85	FY86	Budgeted FTE FY88	Budgeted FTE FY89
Billings	485	497	489	490	490
Butte	342	403	406	405	405
Great Falls	449	408	391	416	416
Helena	663	665	647	658	658
Missoula	607	575	577	586	586
Total Enrollment	<u>2,546</u>	<u>2,548</u>	<u>2,510</u>	<u>2,555</u>	<u>2,555</u>

A flat instruction rate per FTE was developed from actual expenditures for all centers in the base year fiscal 1982. Inflation was applied annually to that rate to obtain a rate of \$1,990 used in fiscal 1986. Application of inflation and pay plan provisions to the fiscal 1986 rate results in a rate of \$2,084 for both fiscal 1988 and fiscal 1989. A 95 percent funding level results in a rate of \$1,979.80 per student FTE.

**Support:** The support program includes instructional support, academic supervision, financial and institutional administration, and student services. The budget factors used to estimate the support program budget include support staffing standards, an average compensation for each type of support position, and an average operating cost per support staff full-time equivalent employee. A funding level of 95 percent was applied to the support personal services and operating expenses budgets. Table 3 lists the support program budget factors for the 1989 biennium.

Table 3  
Support Program Budget Factors\*  
1989 Biennium

Function	Staffing Standard	Avg. Compensation
Administration		
	1 Director	\$54,094
	1 Assistant Director	54,086
Support		
	1 Business Manager or Chief Accountant	45,743
	1 Counselor for each 300 Students	34,228
	1 Librarian/Media Specialist	23,407
	1 Head Custodian with Staff of 1.0 FTE to 35,000 Square Feet of Facility	21,347
Clerical		
	1 Administrative Secretary	18,324
	1 Secretary:3 Administrative Staff	15,996
	1 Secretary:5 Support Staff (includes janitors)	15,996
	1 Secretary:10 Instructional Staff	15,996

Center	Average Operating Cost		Audit Cost	
	FY88	FTE	in HB2	From Other Funds
Billings	\$5,350	12.23	\$19,333	\$2,148
Butte	5,350	10.70	19,333	2,148
Great Falls	5,350	11.99	19,333	2,148
Helena	5,350	13.22	18,259	3,222
Missoula	5,350	13.68	18,259	3,222

\*All factors are listed at 100 percent but are budgeted at 95 percent, except audit costs. Total audit costs are \$107,405. The portion of biennium audit costs to be funded from appropriated sources is \$94,517 which is included in the support program budget in fiscal 1988.

**Plant:** Personal services and operating expenses are determined for the plant budget using a staffing standard per square foot of facility space and an average compensation amount shown in Table 3. The staffing standard FTE for each center, rounded to the nearest .25 FTE is: Billings - 4.50 FTE, Butte - 3.75 FTE, Great Falls - 4.50



FTE, Helena - 4.25 FTE, and Missoula - 5.25 FTE. Operating expenses are incrementally budgeted using fiscal 1986 expenditures without the voted mill levy. A 95 percent funding level was applied to the developed plant budget.

**Equipment:** The instructional equipment budget is determined separately for variable equipment with unit costs under \$1,000 and for capital equipment with unit costs which exceed \$1,000. Variable equipment costs are determined utilizing a flat rate of \$34 per student which is the same rate applied in the 1987 biennium. Capital equipment was budgeted at a flat rate of \$31,350 per center, the same rate as applied in fiscal 1986 and fiscal 1987. A 95 percent funding level was applied to the developed budget. Equipment spending authority was established as 50 percent general fund and 50 percent federal funds.

**Funding:** The vocational-technical centers are funded from general fund, tuition, county millage, interest from the education trust, and federal vo-ed funds. Table 4 lists the funding by source for each center.

Table 4  
Funding by Vocational-Technical Center  
1989 Biennium

Fiscal 1988	Billings	Butte	Great Falls	Helena	Missoula	Total System
General Fund	\$ 864,250	\$ 903,090	\$ 879,733	\$1,404,974	\$1,007,194	\$5,059,241
Tuition	330,750	273,375	280,800	444,150	395,550	1,724,625
County Millage	332,403	55,682	137,798	103,392	171,016	800,291
Education Trust Int	31,302	25,031	24,241	40,673	35,191	156,438
Federal Vo-Ed	128,910	121,613	122,221	107,743	326,987	807,474
Total Revenue	<u>\$1,687,615</u>	<u>\$1,378,791</u>	<u>\$1,444,793</u>	<u>\$2,100,932</u>	<u>\$1,935,938</u>	<u>\$8,548,069</u>
Fiscal 1989	Billings	Butte	Great Falls	Helena	Missoula	Total System
General Fund	\$ 829,216	\$ 885,143	\$ 860,196	\$1,303,744	\$1,199,643	\$5,077,942
Tuition	345,450	285,525	293,280	463,890	413,130	1,801,275
County Millage	337,551	56,240	138,264	104,425	171,814	808,294
Education Trust Int	-0-	-0-	-0-	-0-	-0-	-0-
Federal Vo-Ed	164,859	137,995	141,471	217,953	145,196	807,474
Total Revenue	<u>\$1,677,076</u>	<u>\$1,364,903</u>	<u>\$1,433,211</u>	<u>\$2,090,012</u>	<u>\$1,929,783</u>	<u>\$8,494,985</u>

**General Fund:** The general fund increases by 9.02 percent from fiscal 1986 to fiscal 1988 due to general fund replacement of \$1,496,103 in education trust interest earnings for the biennium which were reduced due to passage of

House Bill 434, House Bill 904, House Bill 39, and Senate Bill 228 which diverted education trust funds for other purposes.

**Tuition:** The tuition revenue estimate is set at a level which reflects tuition rates per full-time equivalent student of \$675 for fiscal 1988 and \$705 for fiscal 1989. This rate increases from \$564 for fiscal 1986 and \$594 for fiscal 1987, an increase of 15.23 percent from fiscal 1986 to fiscal 1988.

**County Millage:** Section 20-7-324, MCA, as amended in Special Session III, requires the county commissioners in each county in which a vo-tech center is located to levy one and one-half mills for the support and maintenance of the center located within that county. Decreases in property valuation cause a millage decline of 11.4 percent from fiscal 1986 to fiscal 1988.

**Education Trust Fund Interest:** Section 90-6-211, MCA, authorizes the use of ten percent of the interest from the education trust, which is funded by the coal tax, for operating costs incurred by vo-tech centers and the adult basic education programs. Interest from the education trust fund available to vo-tech centers decreases by 82.52 percent from fiscal 1986 to fiscal 1988 due to withdrawal of funds from the education trust by House Bills 434, 904, and 39, and Senate Bill 228. Education trust interest for the vo-tech centers is anticipated to be \$156,438 in fiscal 1988 and zero in fiscal 1989.

**Federal Vocational-Education Funds:** Federal vocational-education funds are available to Montana through the Carl D. Perkins Vocational Education Act (P.L. 98-524). Vo-tech centers must submit applications to receive available funds. Federal vo-ed funds increase by 37.03 percent from fiscal 1986 to fiscal 1988. Receipt of \$589,270 in vo-ed funds in fiscal 1986 was \$213,067 less than available funds. The estimated funds to be utilized by the centers each year of the 1989 biennium are \$807,474, the same amount as that available for fiscal 1987. The total remains the same for both years of the biennium, but the amount to be utilized by each center is adjusted in fiscal 1989 to reflect a new three-year cycle of grants. Those centers generating higher percentages of funding from federal revenue in fiscal 1986 are projected to generate less federal vo-ed funding in fiscal 1989. The centers with lower percentages generated in fiscal 1986 are expected to generate more in fiscal 1989. The centers are allowed to utilize more federal funds if matching money becomes available from sources other than the current unrestricted funds appropriated in the general appropriations act.

**Difference From Executive:** The 1989 biennium total appropriation is \$1,646,226 more than the executive budget due to the legislature funding the centers for 488 more students in the biennium than requested by the executive and due to errors in calculations in the executive budget which overstated the support and equipment budgets and understated the instruction budget. The legislature used higher rates for instruction and support factors than the executive recommendation. The use of higher rates was offset by the legislature using a 95 percent funding level. Table 5 summarizes the differences between the executive and the legislative budgets by program.



Table 5  
1989 Biennium Legislative Action Compared With Executive Request  
Vocational-Technical Centers Program Summary

	Executive	Fiscal 1988 Legislature	Difference	Executive	Fiscal 1989 Legislature	Difference
Student FTE	2,311	2,555	244	2,311	2,555	244
<u>Program</u>						
Instruction	\$4,099,624	\$5,058,389	\$ 958,765	\$4,099,624	\$5,058,389	\$ 958,765
Support	2,053,674	2,044,986	(8,688)	1,953,674	1,950,645	(3,029)
Plant	1,224,862	1,213,255	(11,607)	1,267,244	1,254,512	(12,732)
Equipment	349,063	231,439	(117,624)	349,063	231,439	(117,624)
Total	<u>\$7,727,223</u>	<u>\$8,548,069</u>	<u>\$ 820,846</u>	<u>\$7,669,605</u>	<u>\$8,494,985</u>	<u>\$ 825,380</u>

Other Bills:

House Bill 39 - transferred governance of the vocational-technical centers from the superintendent of public instruction to the board of regents of higher education. Local school districts may still vote an additional levy to supplement the amount appropriated by the legislature, if the budget for the additional amount has been approved by the board of regents. At the end of the 1989 biennium any remaining voted mill levy funds in an individual center account in the state treasury will be returned to the school district. Center employees will remain under the collective bargaining agreement of the local school district for the 1989 biennium. On July 1, 1989, any person employed by a center under a school district becomes an employee of the board of regents. The board of regents is requested to report to the Fifty-first Legislature regarding possible reorganization of vocational-technical education in Montana.

An additional \$1,454,690 from the education trust fund is appropriated to the board of regents to operate the centers. These funds are intended to be used to make bond, rental, or lease payments. This appropriation also reduced trust fund interest revenue available to the centers, which was replaced by general fund.

House Bills 904 and 434 and Senate Bill 228 - appropriated education trust funds. As a result, trust fund interest revenue to the centers was reduced and more general fund was appropriated.



LEGISLATIVE ACTION

AGENCY: MONTANA STATE COUNCIL FOR VOCATIONAL EDUCATION

PROGRAM: ADMINISTRATION PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Difference	Executive	Legislature	
FTE	2.00	2.00	0.00	2.00	2.00	0.00
Personal Services	\$41,576	\$ 58,463	\$2,535	\$ 57,868	\$ 60,318	\$2,450
Operating Expenses	42,380	55,144	3,858	55,795	59,682	3,887
TOTAL EXPENSES	\$83,956	\$113,607	\$6,393	\$113,663	\$120,000	\$6,337
FEDERAL REVENUE	\$83,956	\$113,607	\$6,393	\$113,663	\$120,000	\$6,337

Program Description: The Montana State Council for Vocational Education is responsible for providing leadership in vocational technical education for Montana. The council consists of thirteen members representing business, industry, agriculture, labor, and vocational education. The 2.0 FTE include a director and a secretary.

Budget: The increase of 46.71 percent in personal services results from funding the director's position for the full year as compared to five months in fiscal 1986.

Operating expenses increase 39.22 percent, reflecting more active council involvement and a full-time director, as well as an expanded council role following the implementation of the Carl D. Perkins Vocational Education Act (Public Law 98-524) in fiscal 1986. Increases include printing and mailing costs of \$7,222, consultant services of \$4,100, and travel and meeting expenses of \$5,300. Audit costs of \$3,093 are included in fiscal 1988 only.

Funding: The council is funded entirely from federal vocational education funds.

Difference From Executive: Personal services are \$4,985 higher for the biennium than the executive budget because the legislature did not apply the recommended 4 percent vacancy savings. Operating expenses were increased by \$7,745 for the biennium over the executive proposal due to an increase in federal funds available to the council in the 1989 biennium.



# HIGHER EDUCATION







AGENCY: BOARD OF REGENTS

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988		Fiscal 1989		FY 86-88 % Change
		Executive	Legislature	Executive	Legislature	
FTE	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	\$ 5,600	\$ 11,200	\$ 11,200	\$ 11,200	\$ 0	100.00
Operating Expenses	16,986	166,286	16,751	16,341	16,808	-1.38
TOTAL EXPENSES	\$22,586	\$177,486	\$27,951	\$27,541	\$28,008	\$467
						23.75
GENERAL FUND	\$22,586	\$177,486	\$27,951	\$27,541	\$28,008	\$467
						23.75

Program Description: The Board of Regents consists of seven members who are responsible for supervision, coordination, management, and control of Montana's university system, three community colleges, and five vocational-technical centers pursuant to the 1972 Montana Constitution, Article X, Section 9, Subsection (2). The board, which consists of seven members appointed by the Governor and confirmed by the senate, appoints a commissioner of higher education. The Governor and the superintendent of public instruction are ex-officio non-voting members of the board.

Budget: Personal services costs are per diem for board members. The budgeted level is 224 meeting days at \$50 per day for a total of \$11,200 per annum. The 100 percent personal services increase is due to board members working without payment during one-half of fiscal 1986 after the per diem rate for agencies was adjusted from \$25 to \$50 per day during the 1985 session without any additional appropriation. In addition, the number of meeting days increases from 196 in fiscal 1986 to 224 in fiscal 1988 and 1989. The fiscal 1987 supplemental funding approved in House Bill 434 provided \$10,200 for 204 meeting days. Operating expenses decrease 1.38 percent due to removal of one-time fiscal 1986 expenditures.

Other Legislation:

1. House Bill 193 - Six-Mill Levy - Section 20-25-423, MCA, is amended to extend the date of the statewide six-mill levy for the university system from 1989 through 1998, subject to approval by the voters at the November 8, 1988 general election. In addition, current law is amended to delete the provision that these funds may be utilized for public educational institutions subject to the regents' supervision, and the ballot language was revised to give the legislature authority to levy up to six mills for the university system. The current levy, which was adopted by the electorate at the 1978 general election, terminates on January 1, 1989.

2. House Bill 39 - Vo-Tech Governance - Administrative responsibility for vocational-technical center education is transferred to the Board of Regents. The Board of Regents becomes the sole state agency for federal vocational education requirements, pursuant to the 1984 Carl D. Perkins Vocational Education Act, and shall contract with the Superintendent of Public Instruction for administration and supervision of K-12 vocational education programs and services. In addition, the Board of Regents shall report to the Fifty-first Legislature on the following concerns: (a) a plan for reorganization of the delivery system for all postsecondary vocational-technical education in Montana; (b) a long-term plan for achieving high quality vocational-technical centers through the possibility of program specialization at each center; (c) the feasibility and appropriateness of closure of one or more of the vocational-technical facilities; (d) a plan for elimination of programs that serve few students; (e) a plan for consolidation of administrative functions of the individual centers; and (f) the feasibility of consolidating postsecondary vocational-technical facilities and staff with nearby units of the university system. There is appropriated \$1,454,690 from the local impact and education trust fund account funded by 15-35-108(3)(B), MCA, to the Board of Regents for the vocational-technical centers during the 1989 biennium. This appropriation is included in the budget and narrative of the Administration Program in the Office of the Commissioner of Higher Education.

Difference From Executive: The legislature did not approve the executive budget recommendation for \$150,000 in fiscal 1988 to create a management council of private sector representatives to focus on university system operations. The legislature appropriated \$932 more for biennial communications, travel, and dues than was recommended by the executive.



AGENCY: COMMISSIONER OF HIGHER EDUCATION

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	26.50	28.85	33.85	5.00	28.85	33.85	5.00	7.35
Personal Services	\$ 832,090	\$ 937,394	\$ 1,110,091	\$ 172,697	\$ 936,773	\$ 1,109,426	\$ 172,653	33.41
Operating Expenses	800,802	1,250,008	1,365,024	115,016	1,347,279	1,459,413	112,134	70.46
Equipment	22,149	0	8,500	8,500	0	14,000	14,000	-61.62
Non-Operating	4,746,528	12,971,118	16,101,120	3,130,002	13,484,175	16,345,583	2,861,408	239.22
TOTAL EXPENSES	\$6,401,569	\$15,158,520	\$18,584,735	\$3,426,215	\$15,768,227	\$18,928,422	\$ 3,160,195	190.32
FUNDING								
General Fund	\$2,813,473	\$ 3,133,564	\$ 4,603,895	\$1,470,331	\$ 3,107,446	\$ 4,871,279	\$ 1,763,833	63.64
State Special Revenue	2,421,328	2,100,000	1,416,546	(683,454)	2,118,000	975,637	(1,142,363)	-41.50
Federal Revenue	1,166,768	1,307,302	3,824,685	2,517,383	1,354,135	3,876,168	2,522,033	227.80
Proprietary Fund	0	8,617,654	8,739,609	121,955	9,188,646	9,205,338	16,692	N/A
TOTAL FUNDING	\$6,401,569	\$15,158,520	\$18,584,735	\$3,426,215	\$15,768,227	\$18,928,422	\$ 3,160,195	190.32

Program Description: The Commissioner of Higher Education is the chief administrative officer of the university system, appointed by the Board of Regents as provided in the 1972 Constitution. The commissioner and agency personnel are responsible for providing research, leadership, technical assistance, and staff support to the Board of Regents, the six units, and the community colleges. The agency also provides administration for state and federal student assistance programs, not only for the educational institutions under the supervision and control of the regents, but also for other postsecondary education institutions according to federal program regulations. In addition, the university system group insurance program is transferred to the agency in compliance with audit and accounting recommendations. Governance of the vocational-technical centers is transferred to the Board of Regents pursuant to House Bill 39.

Budget: There is an increase of 7.35 FTE comprised of a 1.20 FTE reduction in the Administration Program offset by a 1.05 FTE increase in Guaranteed Student Loan Program staff, 2.50 FTE in the group insurance program, and 5.0 FTE in vo-tech governance. Administration staff were reduced due to general fund cutbacks and unfunded fiscal 1987 salary increases. Personal services increase 33.41 percent due to these FTE adjustments.

Operating expenses increase 70.46 percent primarily due to the group insurance program, the vocational-technical administration costs transferred from the Office of Public Instruction, and the one-time appropriation of \$7,500 each year for the costs of participating in the University Funding Study. Other reasons for the increase in operating expenses include higher audit costs, insurance and utilities inflation adjustments, and expenses to meet changing requirements in the federal Guaranteed Student Loan Program.

Equipment decreases 61.62 percent because the agency spent \$17,124 more than was budgeted in fiscal 1986 on a computer and office furniture. Non-operating expenses increase 239.22 percent due to transfer of the insurance program, the addition of vocational education grant funds, and the appropriation of \$1.45 million for vocational-technical centers in House Bill 39.

Funding: The general fund increases 63.64 percent primarily due to the 41.50 percent decrease in state special coal tax education trust fund interest earnings. Other reasons for the general fund increase are the appropriations for vocational-technical administration and for the study of university system finances. The state special revenue reduction is decreased interest earnings because the principal of the education trust fund was reduced. Federal revenue increases for student assistance, talent search, guaranteed student loans, and vocational-technical administration, but the primary reason for the 227.80 percent federal revenue increase is the transfer of Carl D. Perkins vocational education funds. Proprietary funds are for the university system group insurance program.

AGENCY: COMMISSIONER OF HIGHER EDUCATION

LEGISLATIVE ACTION

PROGRAM: ADMINISTRATION

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	15.60	14.40	19.40	5.00	14.40	19.40	5.00	3.80
Personal Services	\$567,232	\$573,217	\$ 741,336	\$ 168,119	\$572,989	\$ 741,050	\$ 168,061	30.69
Operating Expenses	210,845	218,545	284,940	66,395	218,718	282,884	64,166	35.14
Equipment	17,518	0	4,000	4,000	0	4,000	4,000	-77.17
Non-Operating	0	0	3,058,382	3,058,382	0	3,046,308	3,046,308	N/A
TOTAL EXPENSES	\$795,595	\$791,762	\$4,088,658	\$3,296,896	\$791,707	\$4,074,242	\$3,282,535	413.91
	=====	=====	=====	=====	=====	=====	=====	=====
FUNDING								
General Fund	\$795,595	\$791,762	\$ 876,957	\$ 85,195	\$791,707	\$ 874,769	\$ 83,062	10.23
State Special Revenue	0	0	733,382	733,382	0	721,308	721,308	N/A
Federal Revenue	0	0	2,478,319	2,478,319	0	2,478,165	2,478,165	N/A
TOTAL FUNDING	\$795,595	\$791,762	\$4,088,658	\$3,296,896	\$791,707	\$4,074,242	\$3,282,535	413.91
	=====	=====	=====	=====	=====	=====	=====	=====

**Program Description:** The Administration Program budget provides funding for the major functions of the commissioner's office, including coordination of university system units with regard to academic planning, budget planning and funds distribution, legal services, and labor negotiation policies and procedures. This budget also provides staff support and supplies for the Student Assistance Program. Governance of the vocational-technical centers is transferred to this office from the Office of Public Instruction beginning with the 1989 biennium. A one-time biennial appropriation of \$15,000 enables this office and members of the Board of Regents to participate in the University Funding Study for the purpose of reviewing university system financing.

**Budget:** There is a 3.80 FTE increase comprised of the agency's fiscal 1987 reductions of 0.40 professional FTE and 0.30 classified FTE due to the general fund cuts, plus a 0.50 professional FTE in the legal counsel staff which was eliminated as a result of the unfunded pay increases in fiscal 1987, and the 5.0 FTE increase for vocational-technical administration. Personal services increase by 30.69 percent due to the addition of 5.0 FTE for vocational education administration. Vacancy savings was set at 4 percent.





Operating expenses increase by 35.14 percent primarily due to an 88.9 percent audit cost increase, a 38.9 percent insurance cost increase, the appropriation of approximately \$60,000 each year for vo-tech center governance, and the funding study appropriation of \$7,500 each year. Part of the administrative overhead, such as insurance and janitorial services, is charged proportionately to federally-funded programs for the first time. This transfer of overhead costs decreased operating expenses by \$3,170 in the Administration Program.

The equipment cost of \$4,000 each year is for vo-tech administration as transferred from the Office of Public Instruction. Non-operating costs include: 1) vocational education grants budgeted at \$2,325,000 each year to be awarded to vocational-technical centers and community agencies for education and services, including those focused on meeting the needs of handicapped, disadvantaged, single parents, and homemakers; and 2) the House Bill 39 appropriation of \$733,382 in fiscal 1988 and \$721,308 in fiscal 1989 for bond payments and/or rent at the vocational-technical centers.

Funding: General fund increases 10.23 percent primarily because of appropriations for vo-tech governance and the study of university funding. The state special revenue is from the local impact and education trust fund account for the vocational-technical centers. Federal revenue is Carl D. Perkins funds, with \$2,325,000 each year for vocational education grants and the balance for vo-tech administration.

Other Legislation:

1. House Bill 39 - Vo-Tech Governance - Governance of the vocational-technical centers is transferred from the Office of Public Instruction to the Board of Regents which shall appoint a Deputy Commissioner of Vocational-Technical Center Education in the commissioner's office. The deputy commissioner shall be the chief administrative officer for the Board of Regents for its vocational-technical center rules, policies, and staff. House Bill 39 also includes a \$1.45 million appropriation for vo-tech facilities costs.

Difference From Executive: The primary reason for the personal services difference is the addition of 5.0 FTE for vo-tech governance. For continuing staff, the compensation level approved by the legislature is \$5,636 lower than the biennial executive budget. The major factor in the operating expenses difference is a transfer of \$60,663 in fiscal 1988 and \$71,489 in fiscal 1989 for vocational education administration. For ongoing administrative expenses, the legislature appropriated \$5,654 less for insurance and other overhead costs and \$1,558 more for other expenses than was budgeted for the biennium by the executive. The executive's recommendation for no equipment purchases from the general fund appropriation for this program was accepted. The equipment and non-operating differences are due to the vo-tech transfer.

AGENCY: COMMISSIONER OF HIGHER EDUCATION

LEGISLATIVE ACTION

PROGRAM: STUDENT ASSISTANCE PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
WICHE Dues	\$ 53,000	\$ 59,000	\$ 59,000	\$ 0	\$ 62,000	\$ 62,000	\$ 0	11.32
WICHE Student Assistance	1,943,586	1,875,234	1,785,634	(89,600)	1,769,068	1,586,668	(182,400)	-8.13
WAMI Student Assistance	1,813,315	1,898,618	1,933,618	35,000	1,991,721	1,991,721	0	6.63
MN Rural Dentistry	108,000	113,000	90,400	(22,600)	115,000	69,000	(46,000)	-16.30
State Student Incentive Grants	368,172	385,000	420,000	35,000	385,000	420,000	35,000	14.08
National Direct Student Loan	55,322	55,000	55,000	0	55,000	55,000	0	-0.58
College Work Study	291,000	265,950	276,450	10,500	265,950	276,450	10,500	-5.00
Carl Perkins Scholarship	0	50,000	50,000	0	50,000	50,000	0	100.00
TOTAL EXPENSES	\$4,632,395	\$4,701,802	\$4,670,102	\$ (31,700)	\$4,693,739	\$4,510,839	\$ (182,900)	0.81
FUNDING								
General Fund	\$2,017,878	\$2,341,802	\$3,726,938	\$ 1,385,136	\$2,315,739	\$3,996,510	\$ 1,680,771	84.70
State Special Revenue	2,421,328	2,100,000	683,164	(1,416,836)	2,118,000	254,329	(1,863,671)	-71.79
Federal Revenue	193,189	260,000	260,000	0	260,000	260,000	0	34.58
TOTAL FUNDING	\$4,632,395	\$4,670,802	\$4,670,102	\$ (31,700)	\$4,693,739	\$4,510,839	\$ (182,900)	0.81

Program Description: The Student Assistance Program includes interstate student assistance through WICHE, the Western Interstate Commission for Higher Education; WAMI, the Washington, Alaska, Montana, and Idaho medical education program; and the Minnesota Rural Dentistry Program (MRD). It also includes three federally-funded programs: the State Student Incentive Grants Program (SSIG), the National Direct Student Loan Program (NDSL), and the new Carl D. Perkins Scholarship Program. In addition, the state-funded College Work Study Program is continued.

Language in Bill: The following language provides flexibility in the appropriations for interstate dentistry students and sunsets the family practice appropriation.



In each fiscal year, the Commissioner of Higher Education is allowed to transfer appropriation authority between the amounts included in the WICHE appropriation for dentistry, which is \$120,534 in fiscal 1988 and \$122,668 in fiscal 1989, and the Minnesota Rural Dentistry appropriation.

General fund support of the family practice program does not extend beyond fiscal 1988.

**Legislative Intent:** Included in the WAMI student assistance appropriation is \$35,000 in fiscal year 1988 for the Family Practice Residency Training Program pursuant to Title 50, Chapter 5, Part 6, MCA. It is the intent of the legislature that general fund support for this program will not continue beyond fiscal 1988.

**Budget:** WICHE dues were budgeted as requested by the agency for an 11.32 percent increase from fiscal 1986 to 1988. As shown in Table 1, the total WICHE student assistance budget of \$1,785,634 in fiscal 1988 will support 93 continuing and 24 new students. The budget of \$1,586,668 in fiscal 1989 will pay support fees for 80 continuing and 23 new students in the fields summarized below. Due to the decreasing number of students, the WICHE appropriation declines 8.13 percent from fiscal 1986 to fiscal 1988.

Table 1  
WICHE Interstate Slots Budgeted for the 1989 Biennium

Field	Fiscal 1988			Fiscal 1989		
	Continuing Students	New Students	Total Cost	Continuing Students	New Students	Total Cost
Medicine	29	2	\$ 694,400	19	2	\$ 478,800
Osteo Medicine	7	2	90,900	7	2	92,700
Dentistry	7	3	120,534	7	3	122,668
Veterinary Medicine	36	11	766,100	35	10	787,500
Optometry	10	3	80,600	8	3	69,300
Occupational Therapy	3	1	16,000	1	1	8,200
Podiatry	1	1	14,000	2	1	21,300
Public Health	0	1	3,100	1	1	6,200
<b>TOTAL</b>	<b>93</b>	<b>24</b>	<b>\$1,785,634</b>	<b>80</b>	<b>23</b>	<b>\$1,586,668</b>

The WAMI student assistance for 60 Montanans to attend medical school at the University of Washington was approved at \$1,898,618 for fiscal 1988 and \$1,991,721 for fiscal 1989. The average cost per student, as shown on Table 2, is \$31,644 in fiscal 1988 and \$33,195 in fiscal 1989. In addition, the fiscal 1988 WAMI appropriation includes \$35,000 for family practice training which was funded in the 1987 biennium through the Department of Health and Environmental Sciences.

Minnesota Rural Dentistry slots are held to one new student each year of the biennium, consistent with the determination of the legislature during the 1985 session to limit the new dentistry slots to a combined total of four in the MRD and WICHE programs due to the oversupply of dentists. The budget for Minnesota Rural Dentistry is \$90,400 for fiscal 1988 and \$69,000 for fiscal 1989. The 16.30 percent decrease is caused by the limitation of one new student each year starting with fiscal 1986, so that by fiscal 1989 there are a total of six students in this program. As shown in Table 2, the average cost per slot increases from \$11,300 per student in fiscal 1988 to \$11,500 in fiscal 1989.

Table 2  
Budgeted Number of Students, Average Cost, and Total Cost  
for WICHE, WAMI, MRD, SSIG, and Work Study  
Comparison of Fiscal 1986 to Fiscal 1988 and 1989

Program	Fiscal 1986			Fiscal 1988			Fiscal 1989		
	Number of Students	Average Cost Per Student	Total Cost	Number of Students	Average Cost Per Student	Total Cost	Number of Students	Average Cost Per Student	Total Cost
WICHE Asst.	142	\$13,687	\$1,943,586	117	\$15,262	\$1,785,634	103	\$15,405	\$1,586,668
WAMI Asst.	60	30,222	1,813,315	60	31,644	1,898,618	60	33,195	1,991,721
MN Rural Den.	10	10,800	108,000	8	11,300	90,400	6	11,500	69,000
SSIG	1,830	201	368,172	1,680	250	420,000	1,680	250	420,000
Work Study	654	445	291,000	614	450	276,450	614	450	276,450
Total	2,696		\$4,524,073	2,479		\$4,471,102	2,463		\$4,343,839
Percent Increase in Average Cost Per Student									
Fiscal 1986-88									
Fiscal 1988-89									
WICHE	11.51%			.94%					
WAMI	4.71%			4.90%					
Minnesota Rural Dentistry	4.63%			1.77%					

The State Student Incentive Grants Program is increased by \$51,828 over fiscal 1986 actual expenditures each year due to federal maintenance of effort and matching requirements. An increase of \$25,528 per year would have met the minimum maintenance of effort requirements, but \$26,300 of federal 50/50 matching funds would have been lost. The \$51,828 increase each year matches all available federal revenue for this program. The commissioner's office allocates these funds to all postsecondary institutions in Montana based on enrollment and each campus financial aid office makes the student awards.



The State College Work Study Program was funded at the fiscal 1987 appropriated level for a 5.0 percent decrease from fiscal 1986 to 1988. Students are employed part-time by the six units and community colleges. The general fund appropriation is allocated to these education institutions based on enrollment and each campus provides 30 percent matching funds.

The National Direct Student Loan Program was approved at \$55,000 each year for a 0.58 percent decrease. Federal matching funds, which are projected to be \$550,000 annually, are awarded directly to colleges and universities throughout the state and the general fund match is distributed proportionately. The purpose of this national program is to provide short-term loans at low interest rates to help students with cash flow and expenses while they remain in college.

Modifieds Approved:

1. Carl D. Perkins Scholarship Program - The federally-funded Carl D. Perkins Scholarship Program is budgeted for \$50,000 each year of the biennium. The purpose of this program is to provide ten annual scholarships of \$5,000 each to outstanding high school students in Montana to encourage them to pursue careers as teachers. This new program was first approved by the legislature for fiscal 1987. If a recipient ceases to pursue the degree program for which the award was made, the student is responsible for repaying the scholarship plus interest accrued from the date of the initial grant. There are no FTE associated with this program and it has no general fund impact.

Funding: The general fund increases 84.70 percent primarily due to the 71.79 percent decrease in state special revenue coal tax education trust fund interest earnings caused by the appropriation of trust monies for other purposes. The federal funds include \$210,000 federal match for the State Student Incentive Grant Program and \$50,000 for the Perkins scholarship modification. The \$55,000 general fund appropriation for the National Direct Student Loan Program is matched with federal funds which are not appropriated.

Other Legislation: Projected education trust fund interest earnings for the Student Assistance Program were reduced by approximately \$3 million due to passage of House Bills 39, 434, and 904, and Senate Bill 228, which diverted these funds for other purposes. The lost interest earnings were replaced with a like amount of general fund.

Difference From Executive: The WICHE student assistance difference of \$89,600 in fiscal 1988 and \$182,400 in fiscal 1989 is caused by the legislature reducing four new medical slots each year, which also means there are four fewer continuing students in fiscal 1989. This reduction will have no impact on students already enrolled in the program. The WAMI program fiscal 1988 difference is the \$35,000 which the legislature added for one year of phase-out general fund support for the family practice program. Minnesota Rural Dentistry is \$22,600 less in fiscal 1988 and \$46,000 less in fiscal 1989 than the executive budget due to the legislature continuing the 1987 biennium limitation of a total of four new dentistry slots in MRD and WICHE combined. The State Student Incentive Grants Program is \$35,000 higher than the executive budget each year because the legislature matched all available federal revenue for these grants. The State College Work Study Program is \$10,500 higher each year because the legislature approved funding at the fiscal 1987 appropriated level rather than at the fiscal 1987 budgeted level as recommended by the executive. The higher general fund and lower state special revenue appropriation by the legislature is due to the impact of other legislative decisions to reduce the education trust fund.



AGENCY: COMMISSIONER OF HIGHER EDUCATION

LEGISLATIVE ACTION

PROGRAM: EDUCATION FOR ECONOMIC SECURITY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00
Operating Expenses	\$ 3,445	\$ 1,364	\$ 1,364	\$0		\$ 1,364	\$ 1,364	\$0		-60.41
Non-Operating	114,133	56,636	56,636	0		56,636	56,636	0		-50.38
TOTAL EXPENSES	\$117,578	\$58,000	\$58,000	\$0		\$58,000	\$58,000	\$0		-50.67
FEDERAL REVENUE	\$117,578	\$58,000	\$58,000	\$0		\$58,000	\$58,000	\$0		-50.67

Program Description: Education for Economic Security is designed to upgrade the teaching skills of educators in the mathematics and science disciplines through Title II of the Education and the Superintendent of Public Instruction have completed a statewide needs assessment on the teaching of mathematics, science, computer learning, and foreign languages in Montana. Competitive proposals designed to respond to the priority needs are submitted annually by postsecondary institutions in the state, and grants are awarded based on the decisions of a review panel. The fiscal 1986 expenditures were authorized by budget amendment and the fiscal 1987 budget of \$65,000 was approved during Special Session III.

Budget: There are no FTE or personal services costs for this program. Operating expenses total \$1,364 per year for office supplies, postage, travel, and other program costs. The non-operating costs total \$56,636 each year for competitive grants to be awarded to vo-techs, community colleges, the six units, and private educational institutions.

Modifieds Approved:

1. Education for Economic Security Program - This program is a modification of \$58,000 each year of the biennium and is entirely federally funded with no general fund impact.

BUDGET ITEM	COMMISSIONER OF HIGHER EDUCATION		LEGISLATIVE ACTION				PROGRAM: TALENT SEARCH			
	FY 1986		Fiscal 1988		Fiscal 1989		Fiscal 1989		FY 86-88	
	Actual		Executive	Legislature	Difference		Executive	Legislature	Difference	% Change
FTE	6.00		6.00	6.00	0.00		6.00	6.00	0.00	0.00
Personal Services	\$127,587		\$120,600	\$121,822	\$1,222		\$120,505	\$121,731	\$1,226	-4.52
Operating Expenses	41,896		45,115	52,532	7,417		45,140	51,886	6,746	25.39
TOTAL EXPENSES	\$169,483		\$165,715	\$174,354	\$8,639		\$165,645	\$173,617	\$7,972	2.87
FEDERAL REVENUE	\$169,483		\$165,715	\$174,354	\$8,639		\$165,645	\$173,617	\$7,972	2.87

Program Description: Talent Search is a federal program which provides career and financial aid counseling to students who are low income, physically handicapped, or culturally disadvantaged. There are six program coordinators located around the state who provide services one-to-one and in small groups to prevent high school dropout and to assist in postsecondary education planning, enrollment, and adjustment to higher education studies and campus life.

Budget: Personal services increase by 1 percent due to adjustments providing longevity compensation and health insurance coverage for FTE who are more than half time. Vacancy savings is 4 percent. Personal services appear to decrease by 4.52 percent because federal indirect cost recovery of \$6,965 is included in fiscal 1986 personal services. Because the indirect personal services costs are transferred to contract operating expenses during the 1989 biennium, operating expenses appear to increase by 25.39 percent. Actual program operating expenses increase by 8.3 percent due primarily to the first-time addition of administrative overhead costs transferred from the Administration Program, as well as program growth contributing to rising expenses for training, printing, and computer maintenance.

Modifieds Approved:

1. Federal Indirect Cost Recovery - Indirect costs of \$12,236 in fiscal 1988 and \$12,188 in fiscal 1989 are appropriated to properly record transfer of the indirect costs recovered from the Talent Search Program.

Funding: The Talent Search Program is funded with a United States Department of Education grant under the Higher Education Act of 1965, Public Law 89-329 as amended.

Difference From Executive: The biennial operating expenses difference includes \$3,928 more for insurance and other administrative costs, \$4,972 more for travel to the annual regional staff training conferences, \$2,208 more for computer maintenance, and \$3,055 more in other operating expenses.

AGENCY: COMMISSIONER OF HIGHER EDUCATION

LEGISLATIVE ACTION

PROGRAM: GUARANTEED STUDENT LOAN

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	4.90	5.95	5.95	0.00	5.95	5.95	0.00	1.05
Personal Services	\$137,271	\$171,239	\$172,433	\$ 1,194	\$171,034	\$172,216	\$ 1,182	25.62
Operating Expenses	544,617	652,348	677,079	24,731	699,456	724,170	24,714	24.32
Equipment	4,631	0	4,500	4,500	0	10,000	10,000	-2.83
TOTAL EXPENSES	\$686,519	\$823,587	\$854,012	\$30,425	\$870,490	\$906,386	\$35,896	24.40
OTHER SPECIAL REVENUE	\$686,519	\$823,587	\$854,012	\$30,425	\$870,490	\$906,386	\$35,896	24.40

Program Description: The Guaranteed Student Loan Program is a federal student aid program which was established in Montana by the 1979 legislature for the purpose of allowing eligible students to receive loans from participating lender institutions. The federal program guarantees these loans and makes administrative cost reimbursements to the program. Outstanding loan volume has increased steadily as the program became established and is projected at \$175 million in fiscal 1988 and \$200 million in fiscal 1989.

Legislative Intent: Audit fees are included at \$2,578 each year of the biennium to comply with bond market requirements for annual audits.

Budget: There is a 1.05 FTE increase due to program growth comprised of a 0.05 FTE accountant and a 1.00 FTE assessment specialist added in the modification. The 25.62 percent personal services increase results from the FTE adjustments and vacancy savings due to staff turnover in fiscal 1986. Vacancy savings is 4 percent for the 1989 biennium.

Operating expenses increase 24.32 percent over fiscal 1986. Professional loan services increase \$98,443 from fiscal 1986 to fiscal 1988 and an additional \$46,000 in fiscal 1989 due to federal program changes. The program provides work study contracts in the financial aid offices of state educational institutions for the purpose of determining eligibility for loans, and these contracts are \$10,000 higher per year than in fiscal 1986. Computer processing, travel, and printing all were increased due to growth in loan volume. In addition, operating expenses include increases for



insurance and other administrative overhead costs transferred from the administration program in the commissioner's office.

Equipment is \$4,500 in fiscal 1988 and \$10,000 in fiscal 1989. The items included are: word processor, \$2,500; files, desks, and office furnishings, \$2,000; computer terminal, \$2,500; and copy machine, \$7,500.

Modifieds Approved:

1. Consultation and Assessment Specialist - Funding of \$36,042 in fiscal 1988 and \$36,883 in fiscal 1989 adds 1.00 FTE Consultation and Assessment Specialist who will review 30 participating postsecondary educational institutions and 180 participating lenders every two years for the purpose of preparing accountability reports from the state program in compliance with U. S. Department of Education requirements. This modification increases personal services by \$29,172 in fiscal 1988 and by \$29,113 in fiscal 1989. Operating expenses for travel increase by \$6,870 in fiscal 1988 and by \$7,770 in fiscal 1989. This program modification is funded with federal revenue and has no general fund impact.

Funding: The Guaranteed Student Loan Program is funded with a combination of program fees and federal administrative allowance payments from the United States Department of Education under the Higher Education Act of 1965 as amended.

Other Legislation:

1. House Bill 162 - Fund Change - As requested by the Legislative Audit Committee, House Bill 162 amended 20-26-1105, MCA, to provide that all money designated for this program shall be deposited in the other special revenue funds as defined in 17-2-102(1)(a)(ii)(C). Previously the student loan account was within the federal special revenue fund.

Difference From Executive - The legislature budgeted personal services as requested by the agency and the difference is due to the executive recommendation for a percentage reduction applied to the modified proposal for a new assessment specialist. The legislature appropriated \$49,445 more in biennial operating expenses than recommended by the executive, including \$14,080 more in work study contracts, \$5,115 more in insurance and other administrative costs, \$3,034 more in computer processing, \$6,614 more in travel, \$5,884 more in printing, and \$14,718 more in loan recoveries. The legislature approved the agency's requested equipment and the executive budget did not include any equipment.

AGENCY: COMMISSIONER OF HIGHER EDUCATION

LEGISLATIVE ACTION

PROGRAM: UNIVERSITY SYSTEM INSURANCE PROGRAM

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	0.00	2.50	2.50	0.00	2.50	2.50	0.00	0.00
Personal Services	\$0	\$ 72,338	\$ 74,500	\$ 2,162	\$ 72,245	\$ 74,429	\$ 2,184	N/A
Operating Expenses	0	332,636	349,109	16,473	382,601	399,109	16,508	N/A
Non-Operating	0	8,211,000	8,316,000	105,000	8,731,800	8,731,800	0	N/A
TOTAL EXPENSES	\$0	\$8,615,974	\$8,739,609	\$123,635	\$9,186,646	\$9,205,338	\$18,692	N/A
PROPRIETARY FUND	\$0	\$8,615,974	\$8,739,609	\$123,635	\$9,186,646	\$9,205,338	\$18,692	N/A

Program Description: The Board of Regents is responsible for providing university system employees with group benefits pursuant to 2-18-808 and 809, 20-2-114, and Title 20, Chapter 25, MCA. Board of Regents' guidelines for the partially self-insured group insurance program are contained in policy item 51-901-R0696, which states that administrative costs shall not exceed the amount of premium tax savings that would be incurred under a conventional group plan plus any interest earned on reserves. From fiscal 1984 through fiscal 1986, this program was an auxiliary account at Montana Tech because of uncertainty over whether the commissioner's office could retain interest income on the insurance program reserves in the state accounting system. After it was clarified that interest earnings could be retained through discussions among the Legislative Auditor, the Accounting Division of the Department of Administration, and the Board of Investments, the legislature approved the fiscal 1987 program transfer to the commissioner's office. There is an advisory committee comprised of faculty and staff to oversee and assess this program which is renewed through competitive bids each biennium.

Budget: Personal services costs are \$74,500 in fiscal 1988 and \$74,429 in fiscal 1989. Operating expenses include \$12,000 each year for audits, plus computer processing, supplies, telephone, and travel. The largest operating expense item is wellness funds, which are paid by employees as part of the premiums and returned to the campuses for health promotion and risk-reduction activities. Wellness funds total \$290,000 in fiscal 1988 and \$340,000 in fiscal 1989.

Non-operating costs include claims at \$6,736,000 in fiscal 1988 and \$7,072,750 in fiscal 1989 and premiums at \$1,580,000 in fiscal 1988 and \$1,659,050 in fiscal 1989. Premiums are appropriated to provide the spending authority to reimburse United of Omaha for the insurance coverage.

Modifieds Approved:

1. Group Insurance Program - The University System Group Insurance Program transfer to the commissioner's office is approved, with continuation of 2.50 FTE authorized during Special Session III and a total budget of \$8,739,609 in fiscal 1988 and \$9,205,338 in fiscal 1989.

Difference From Executive: The legislature appropriated personal services as requested by the agency. The executive budget was lower in personal services and operating expenses due to the application of 4 percent vacancy savings and percentage reductions related to Special Session III in operating costs. The difference in operating expenses includes \$7,000 more for annual audits, \$22,105 more for computer processing, and \$3,876 more for postage, telephone, and other items. For fiscal 1988, the legislature approved \$105,000 more in non-operating costs for insurance premiums than was recommended by the executive.



AGENCY: COMMUNITY COLLEGES

LEGISLATIVE ACTION

PROGRAM: STATE ASSISTANCE

Budget Item	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
Student FTE	1740	1709	1740	31	1709	1740	31	0.00
Dawson Community College	\$ 741,334	\$ 743,704	\$ 704,064	\$(39,640)	\$ 734,884	\$ 699,264	\$ (35,620)	-5.03
Flathead Valley Community Coll.	1,577,827	1,637,874	1,622,024	(15,850)	1,629,054	1,622,292	(6,762)	2.80
Miles Community College	865,002	738,274	724,928	(13,346)	728,454	720,242	(8,212)	-1.19
TOTAL EXPENSES	\$2,184,163	\$2,119,852	\$2,051,014	\$(68,838)	\$2,093,392	\$2,041,796	\$(51,596)	-2.48
GENERAL FUND	\$3,184,163	\$3,119,852	\$3,051,014	\$(68,838)	\$3,093,392	\$3,041,796	\$(51,596)	-1.65

Program Description: The state's three community colleges, Dawson in Glendive, Flathead Valley in Kalispell, and Miles in Miles City, are organized in accordance with the provisions of Title 20, Chapter 15, MCA. Each community college district has an elected board of trustees accountable to and supervised by the Board of Regents.

Language in Bill: The legislature approved the following language, which is consistent with that adopted by the legislature during the 1985 session:

The above appropriation provides 48 percent of the total unrestricted budgets for the community colleges, which budgets must be approved by the Board of Regents.

The general fund appropriation for each community college includes 48 percent of the total audit cost. The remaining 52 percent of these costs are to be paid from funds other than those appropriated in items 1 through 3. Audit costs may not exceed \$18,000 for each unit during the biennium.

Dawson, Flathead Valley, and Miles Community Colleges are prohibited from including in student enrollment, used in calculating the unrestricted budget referred to in section 20-15-310, MCA, student FTE from out-of-district centers not approved under Board of Regents' Policy 220.1.

Budget: The community college formula determines both the unrestricted budget and the general fund appropriation for the community colleges. The variables of the community college formula are: (1) student FTE; (2) cost factor per student; and (3) percentage of state support for the unrestricted budget. As summarized in Table 1, the total student enrollment figure of 1,740 FTE was adopted for the 1989 biennium to maintain the actual fiscal 1986 level. Due to college projections for fiscal 1987 enrollment, the actual fiscal 1986 enrollment for Dawson Community College was increased by 12.0 FTE each year of the 1989 biennium and the enrollment for Miles Community College was decreased by 12.0 FTE. The budgeted FTE for Dawson Community College increase 3.09 percent, Flathead Valley Community College enrollment does not change from the fiscal 1986 actual level, and Miles Community College enrollment declines 2.83 percent.

Table 1  
Community College Student Enrollment  
Fiscal 1986 to Fiscal 1989

College	Legislature	Fiscal 1986 Actual	Difference	Fiscal 1987 College Est.	FY 1988-89 Budgeted	% Change FY 86-88
Dawson	400	388	(12)	417	400	3.09
Flathead Valley	850	928	78	943	928	0.00
Miles	464	424	(40)	415	412	(2.83)
Total	1,714	1,740	26	1,775	1,740	0.00

The cost factor per student of \$3,622 in fiscal 1988 and \$3,642 in fiscal 1989 was calculated by increasing the approved operating expenses for fiscal 1986 by inflation rates used in all budgets for fiscal 1987, 1988, and 1989 and by increasing fiscal 1986 personal services by 0.92 percent for the fiscal 1987 pay plan increase.

The percentage of state funding for both the current unrestricted budget and the audit costs was set at 48 percent. The 1987 biennium general fund appropriation was based on 52 percent state support for fiscal 1986. When the legislature approved the 5 percent across-the-board cut during Special Session III, the outcome was to reduce the percentage of state support to 49.4 percent for fiscal 1987. The legislature funded the 1987 biennium audit cost of \$60,000 at 41.6 percent for a general fund appropriation of \$24,960. The audit cost for the 1989 biennium is reduced to \$54,000 or \$18,000 per college and funded at 48 percent. The remaining 52 percent of the 1989 biennium unrestricted budget is financed by the mandatory mill levy, student tuition and fees, and miscellaneous revenue.

System-wide, the general fund decreases 4.18 percent from fiscal 1986 to fiscal 1988. The general fund allocation for Dawson Community College decreases by 5.03 percent because, although the enrollment remains at the fiscal 1986 legislatively-approved level of 400 FTE, the percentage of state support declines from 52 percent in fiscal 1986 to 48 percent in the 1989 biennium. Flathead Valley Community College general fund increases by 2.80 percent because enrollment has gone up from the 850 FTE budgeted for fiscal 1986 to 928 FTE for the 1989 biennium. Miles

Community College general fund decreases by 16.19 percent due to enrollment, which was budgeted at 464 FTE for fiscal 1986 and at 412 FTE for the 1989 biennium, and to the decrease in percentage of state support. These formula calculations for the unrestricted budget are shown in Table 2.

Table 2  
Calculation of the Community College Unrestricted Budget  
Fiscal 1988 and 1989

Colleges	FTE	Fiscal 1988		General Fund	FTE	Cost Factor	Fiscal 1989		General Fund
		Total	Unrestricted Budget				Total	Unrestricted Budget	
Dawson	400	x \$3,622	= \$1,448,800	x 48	400	x \$3,642	= \$1,456,800	x 48	= \$ 699,264
Flathead	928	x 3,622	= 3,361,216	x 48	928	x 3,642	= 3,379,776	x 48	= 1,622,292
Miles	412	x 3,622	= 1,492,264	x 48	412	x 3,642	= 1,500,504	x 48	= 720,242
Audit	-0-	-0-	54,000	x 48					
Total	1,740		\$6,356,280		1,740		\$6,337,080		\$3,041,798

Difference From Executive: The legislature appropriated \$120,432 less for the 1989 biennium than recommended by the executive. The difference is due primarily to the legislature establishing the level of state support at 48 percent of the unrestricted budget, whereas the executive budget was based on 49 percent state support.



AGENCY: BUREAU OF MINES AND GEOLOGY

LEGISLATIVE ACTION

PROGRAM: RESEARCH

BUDGET ITEM	FY 1986 Actual	Fiscal 1988				Fiscal 1989				FY 86-88 % Change
		Executive	Legislature	Difference		Executive	Legislature	Difference		
FTE	28.84	26.43	26.43	0.00		26.43	26.43	0.00		-2.41
Personal Services	\$ 957,620	\$ 868,378	\$ 894,624	\$ 26,246		\$ 868,378	\$ 894,624	\$ 26,246		-6.58
Operating Expenses	549,685	526,623	369,151	(157,472)		527,013	368,024	(158,989)		-32.84
Equipment	18,868	20,000	22,075	2,075		20,000	23,875	3,875		17.00
TOTAL EXPENSES	\$1,526,173	\$1,415,001	\$1,285,850	\$(129,151)		\$1,415,391	\$1,286,523	\$(128,868)		-15.75
FUNDING										
General Fund	\$1,173,871	\$1,362,001	\$1,232,850	\$(129,151)		\$1,362,391	\$1,233,523	\$(128,868)		5.02
State Special Revenue	352,302	53,000	53,000	0		53,000	53,000	0		-84.96
TOTAL FUNDING	\$1,526,173	\$1,415,001	\$1,285,850	\$(129,151)		\$1,415,391	\$1,286,523	\$(128,868)		-15.75

Program Description: The Bureau of Mines and Geology is a public service and research agency at the Montana College of Mineral Science and Technology in Butte. The bureau gathers, field tests, analyzes, catalogs, and disseminates information on ground water, metals, oil, gas, coal, and other non-metallic minerals. The bureau participates in cooperative ground-water studies with the United States Geological Survey.

Budget: The 2.41 FTE reduction is comprised of 1.68 professional FTE and 0.73 classified FTE as submitted by the agency in the 1989 biennium request to comply with the amount of the unfunded pay plan in fiscal 1987. Vacancy savings of 4 percent was approved for professional, classified, and part-time positions. No vacancy savings was taken for 15.56 FTE contract faculty. Due to the 2.41 FTE reduction from fiscal 1986 to 1988, personal services decrease 6.58 percent. The agency's FTE and compensation for the 1989 biennium are shown in Table 1.

Table 1  
FTE and Average Salary for the 1989 Biennium

<u>Category</u>	<u>FTE</u>	<u>Average Salary</u>	<u>Cost</u>
Contract Faculty	15.56	\$34,850	\$542,266
Professional	1.50	34,850	52,275
Classified	8.65	16,683	144,308
Part-time	0.72	16,666	12,000
Total FTE and Salaries	26.43		\$750,849
Benefits			153,893
Vacancy Savings			(10,118)
TOTAL COMPENSATION			\$894,624

Operating expenses decrease by 32.84 percent due primarily to an administrative charge reduction from \$238,520 in fiscal 1986 to \$60,459 in fiscal 1988 and \$59,872 in fiscal 1989. The bureau pays this administrative charge to Montana Tech for overhead costs. The budgeted amount for this fee is about 5 percent of the bureau's expenses. This expense decrease was calculated because the administrative charges the University of Montana and Montana State University make to the Agricultural Experiment Station, the Cooperative Extension Service, and the Forest and Conservation Experiment Station average 5 percent. The charges had increased to more than 15 percent of the bureau's fiscal 1986 budget.

Equipment increases by 17 percent due to the fiscal 1986 cuts in the laboratory and field research items. Fiscal 1988 equipment includes \$12,000 for an editwriter, \$275 for books and publications, \$1,200 for a zoom stereoscope, \$800 for a flux-gate magnetometer, and \$7,800 for seismograph station photovoltaic systems. Fiscal 1989 equipment includes \$6,000 for a personal computer with laser graphics, \$14,000 for a multiparameter probe and winch, \$1,800 for a steel map case, \$1,800 for two platinum-gold laboratory crucibles, and \$275 for publications and software.

Funding: State special revenue from sale of maps and publications is budgeted at \$53,000 each year and the balance of the funding is general fund. State special revenue decreases 84.96 percent because there was a one-time fiscal 1986 resource indemnity trust appropriation of \$300,000.

Other Legislation:

1. House Bill 6 - Data Bases Grant - A resource indemnity trust grant in the amount of \$155,950 is appropriated to the Department of Natural Resources and Conservation for the bureau of mines Ground Water

Information Center Deep Aquifer Data Bases Project. If sufficient indemnity trust grant funds are available, the bureau also will receive \$45,890 for the research project called low-grade bentonite for shot hole plugging.

2. House Bill 7 - Agricultural Chemicals Grant - A water development program grant in the amount of \$98,500 is appropriated to the Department of Natural Resources and Conservation for a research project on the mobility of agricultural chemicals in soils and shallow ground-water aquifers to be conducted by the bureau of mines.

Difference From Executive: Because the legislature exempted faculty from vacancy savings and the executive budget did not, there is a personal services difference of \$26,246 each year of the biennium. For operating expenses the legislature authorized approximately \$162,000 less than the executive budget each year for the administrative charge paid to Montana Tech. This difference was partially offset when the legislature approved more for contracted laboratory services, supplies, and communications. The legislature also appropriated more for equipment than the level recommended by the executive.



AGENCY: MONTANA AGRICULTURAL EXPERIMENT STATION

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	291.70	258.59	259.70	1.11	258.59	259.70	1.11	-32.00
Personal Services	\$6,844,711	\$6,717,917	\$6,988,297	\$ 270,380	\$6,717,917	\$7,019,097	\$ 301,180	2.10
Operating Expenses	1,478,861	1,435,585	1,471,375	35,790	1,457,996	1,494,420	36,424	-0.51
Equipment	223,102	285,197	129,553	(155,644)	285,197	127,875	(157,322)	-41.93
TOTAL EXPENSES	\$8,546,674	\$8,438,699	\$8,589,225	\$ 150,526	\$8,461,110	\$8,641,392	\$ 180,282	0.50
FUNDING								
General Fund	\$5,953,382	\$6,108,294	\$6,204,968	\$ 96,674	\$6,130,088	\$6,257,135	\$ 127,047	4.23
State Special Revenue	826,446	657,102	710,954	53,852	657,719	710,954	53,235	-13.97
Federal Revenue	1,766,846	1,673,303	1,673,303	0	1,673,303	1,673,303	0	-5.29
TOTAL FUNDING	\$8,546,674	\$8,438,699	\$8,589,225	\$ 150,526	\$8,461,110	\$8,641,392	\$ 180,282	0.50

Program Description: The Montana Agricultural Experiment Station was established in 1893 at the state's land-grant university in Bozeman to conduct and promote studies, scientific investigations, and experiments relating to agriculture, natural resources, and rural life; and to provide information thereby acquired to the people of Montana. In fiscal 1986 there were 162 research projects and in fiscal 1987 there were 144 studies being conducted with an increasing emphasis on new uses for agricultural products. The agency summary table includes both the Main Station Program and the United States Livestock and Range Research Laboratory.

Budget: Agency employees decrease by 32.0 FTE from fiscal 1986 to fiscal 1988 due to declining state special and federal revenue and to fiscal 1987 agency cuts following Special Session III. Personal services increase by 2.10 percent due to vacancy savings in fiscal 1986, fiscal 1987 unfunded pay increases, the addition of a spring wheat breeder, and rising costs of benefits during the 1989 biennium. Operating expenses decrease 0.51 percent primarily due to reductions at the U. S. Range Laboratory in Miles City caused by declining revenue from cattle sales. Equipment decreases 41.93 percent due to declining revenue.

Funding: The state special revenue is derived primarily from research program livestock and product sales. Federal funds are Hatch Act formula and regional research funds.

AGENCY: MONTANA AGRICULTURAL EXPENDITURE STATION			LEGISLATIVE ACTION				PROGRAM: MAIN STATION		
BUDGET ITEM	FY 1986 Actual	----- Executive	Fiscal 1988 Legislature	----- Difference	----- Executive	Fiscal 1989 Legislature	----- Difference	FY 86-88 % Change	
FTE	255.57	231.91	243.00	11.09	231.91	243.00	11.09	-12.57	
Personal Services	\$6,344,008	\$6,395,159	\$6,611,043	\$ 215,884	\$6,395,159	\$6,641,843	\$ 246,684	4.21	
Operating Expenses	1,445,559	1,429,241	1,465,675	36,434	1,451,035	1,488,720	37,685	1.39	
Equipment	220,652	282,197	126,553	(155,644)	282,197	124,875	(157,322)	-42.65	
TOTAL EXPENSES	\$8,010,219	\$8,106,597	\$8,203,271	\$ 96,674	\$8,128,391	\$8,255,438	\$ 127,047	2.41	
FUNDING									
General Fund	\$5,953,382	\$6,108,294	\$6,204,968	\$ 96,674	\$6,130,088	\$6,257,135	\$127,047	4.23	
State Special Revenue	289,991	325,000	325,000	0	325,000	325,000	0	12.07	
Federal Revenue	1,766,846	1,673,303	1,673,303	0	1,673,303	1,673,303	0	-5.29	
TOTAL FUNDING	\$8,010,219	\$8,106,597	\$8,203,271	\$ 96,674	\$8,128,391	\$8,255,438	\$127,047	2.41	

Program Description: The Montana Agricultural Experiment Station Main Station Program includes the campus research departments and the seven applied research centers located around the state to serve specific agricultural areas and to be representative in soil, climate, and other variables for research field tests.

Language in the Bill:

General fund support for startup of the Spring Wheat Breeding and Biotechnology Program at the agricultural experiment station is for the 1989 biennium only. Other funds will be required to continue the program beyond the 1989 biennium.

Legislative Intent: There are 12.0 FTE contract faculty covered under the old eighth quarter leave and retirement option and at least eight of these faculty are expected to retire during the 1989 biennium with a cumulative termination liability of \$338,000 and a projected fiscal 1988 liability of \$251,000. The legislature did not include any additional money for these termination costs in the agency's 1989 biennium budget; however, the agency is asked to keep detailed

records of these termination costs. It is the intent of the legislature to consider a supplemental request if the projected \$251,000 of termination costs materializes in fiscal 1988.

There is \$80,000 each year for a spring wheat breeding program, including one scientist to work with the U.S. Department of Agriculture laboratory geneticist.

Budget: The 12.57 FTE reductions include 1.42 faculty FTE, 7.48 classified FTE, 1.0 graduate research assistant FTE, and 2.77 part-time FTE, offset by an increase of 0.10 professional FTE. Vacancy savings rates were approved at 4 percent for professional, classified, and part-time positions and at 2 percent for 90.0 FTE contract faculty, the majority of whom have joint research-teaching appointments. There was no vacancy savings rate for the wheat breeder research position which was added to the bill on the senate floor. The primary reasons for the 4.21 percent increase in personal services are the addition of the wheat breeding research position, the unfunded pay increases in fiscal 1987, and rising costs of social security and workers' compensation in the 1989 biennium. The main station FTE and average compensation for fiscal 1988 are summarized in Table 1 below.

Table 1  
Main Station FTE and Average Salaries for Fiscal 1988

<u>Category</u>	<u>FTE</u>	<u>Avg. Salary</u>	<u>Total Cost</u>
Faculty	91	\$31,407	\$2,858,040
Professional	23	25,516	586,868
Classified	96	17,347	1,665,312
GRA	16	17,965	287,440
Part-time	<u>17</u>	<u>16,433</u>	<u>279,361</u>
Total FTE and Salaries	243		\$5,677,021
Benefits			868,613
Insurance			248,365
Vacancy Savings			<u>(182,956)</u>
TOTAL COMPENSATION			<u>\$6,611,043</u>

Operating expenses increase 1.39 percent from fiscal 1986 to fiscal 1988. Operating expenses were reduced by \$39,558 from the fiscal 1986 base in veterinary services, hay, laboratory supplies, travel, subscriptions, and other areas. Operating expenses increases include \$13,039 for a 90.22 percent insurance cost increase, \$20,635 for electricity and natural gas, and \$26,000 added for spring wheat breeding operating expenses. Gasoline, electricity, and natural gas increase due to inflation by \$23,045 from fiscal 1988 to 1989 and there are no other operating cost increases in the budget.



The equipment budget is decreased by 42.65 percent from fiscal 1986 to 1988 due to revenue shortfalls. There is \$10,000 for spring wheat breeding equipment. Of the amount remaining, about forty percent of the equipment budget is for farm and ranch machinery, including a grain drill, harvester, tractor, baler, and truck; and approximately 60 percent is for laboratory equipment, including a hood fume lab, electron microscope, chromatograph liquid, solvent delivery system, NIR kernel quality lab, and liquid scintill lab.

Funding: There is \$325,000 state special revenue appropriated each year from agricultural sales based on the agency's revenue projections. Federal revenue decreases 5.29 percent and includes \$1,129,299 of Hatch Act formula funds and \$544,004 of Hatch Act regional research funds for agricultural research in cooperation with other western states.

Difference From Executive: The personal services difference is due to the legislature authorizing higher compensation each year for 11.09 more FTE and taking 2 percent vacancy savings on faculty positions. The executive exempted agency faculty from vacancy savings. The major difference in operating expenses is the \$26,000 per year appropriated by the legislature for spring wheat breeding. In addition, the legislature approved more for supplies, travel, and other expenses. The legislature approved a lesser amount for equipment than recommended in the executive budget.

AGENCY: AGRICULTURAL EXPERIMENT STATION

LEGISLATIVE ACTION

PROGRAM: U. S. RANGE LABORATORY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	36.13	26.68	16.70	9.98	26.68	16.70	9.98	-19.43
Personal Services	\$500,703	\$322,758	\$377,254	\$54,496	\$322,758	\$377,254	\$54,496	-24.66
Operating Expenses	33,302	6,344	5,700	(644)	6,961	5,700	(1,261)	-82.88
Equipment	2,450	3,000	3,000	0	3,000	3,000	0	22.45
TOTAL EXPENSES	\$536,455	\$332,102	\$385,954	\$53,852	\$332,719	\$385,954	\$53,235	-28.05
STATE SPECIAL REVENUE	\$536,455	\$332,102	\$385,954	\$53,852	\$332,719	\$385,954	\$53,235	-28.05

Program Description: The United States Livestock and Range Research Laboratory at Miles City is a cooperative program of the United States Department of Agriculture and the state through the Montana Agricultural Experiment Station. The purpose of the laboratory is to improve the production of beef and to increase range forage efficiency.

Budget: Because of decline in the cattle market and available cattle in the program, state special revenue decreases 28.05 percent. Total FTE and expenses are adjusted accordingly with a 19.43 FTE cut as requested by the agency. Likewise, the agency requested the 24.66 percent decrease in the personal services budget. Operating expenses are as requested by the agency and include research supplies, gasoline, travel, and telephone. The equipment budget is for the purchase of as many replacement geldings as the market will allow.

Funding: Funding includes \$345,000 of projected state special cattle sale revenue plus \$40,954 of the state special fund balance each year.

Difference From Executive: The legislature appropriated \$54,496 more than the executive budget for personal services each year of the biennium as a result of two decisions: 1) not applying the 4 percent vacancy savings recommended in the executive budget; and 2) appropriating \$40,954 of the fund balance for staff compensation as requested by the agency. The operating expenses difference is due to the legislature approving the agency request and the executive increasing expenses for inflation.

AGENCY: MONTANA COOPERATIVE EXTENSION SERVICE			LEGISLATIVE ACTION				PROGRAM: PUBLIC SERVICE		
BUDGET ITEM	FY 1986 Actual	Executive	Fiscal 1988 Legislature	Difference	Executive	Fiscal 1989 Legislature	Difference	FY 86-88 % Change	
FTE	135.30	116.19	115.77	-0.42	116.19	115.77	-0.42	-19.53	
Personal Services	\$3,484,983	\$3,223,172	\$3,843,839	\$620,667	\$3,223,172	\$3,850,150	\$626,978	10.30	
Operating Expenses	545,757	482,699	498,984	16,285	484,439	500,456	16,017	-8.57	
Equipment	20,217	15,000	12,829	(2,171)	15,000	12,829	(2,171)	-36.54	
TOTAL EXPENSES	\$4,050,957	\$3,720,871	\$4,355,652	\$634,781	\$3,722,611	\$4,363,435	\$640,824	7.52	
FUNDING									
General Fund	\$2,237,166	\$1,891,603	\$2,526,384	\$634,781	\$1,893,343	\$2,534,167	\$640,824	12.93	
Federal Revenue	1,813,791	1,829,268	1,829,268	0	1,829,268	1,829,268	0	0.85	
TOTAL FUNDING	\$4,050,957	\$3,720,871	\$4,355,652	\$634,781	\$3,722,611	\$4,363,435	\$640,824	7.52	

Program Description: The Montana Cooperative Extension Service is the state agency responsible for diffusing useful and practical information on subjects relating to agriculture and home economics, as well as managing the 4-H program. The agency is located at Montana State University in Bozeman and has four area offices, plus the local county extension agent offices. The extension service is part of the national land-grant university system.

Language in the Bill:

1. Professional Retirement Benefit Increase: The \$1,325,151 appropriated in line item 2 may only be spent if a federal district or appellate court determines that cooperative extension service employees are federal employees within the meaning of Public Law 99-335. In the event these employees are not federal employees within the meaning of Public Law 99-335, up to \$221,300 in fiscal 1988 and up to \$227,611 in fiscal 1989 of the funds appropriated in line item 2 may be spent for social security coverage and retirement benefits for 124 professional employees. There may be no transfers in or out of this item.

Budget: There is a 19.53 FTE decrease comprised of 8.38 faculty FTE, 2.90 professional FTE, 7.44 classified FTE, and 0.81 part-time FTE. The agency made reductions of 13.38 FTE in fiscal 1987 due to revenue shortfalls and



eliminated 6.15 FTE due to administrative consolidation with the Agricultural Experiment Station. Vacancy savings rates were approved at 4 percent for faculty, professional, classified, and part-time positions. There is a 10.30 percent personal services increase from fiscal 1986 to 1988 due to the 18.68 percent increase in professional retirement benefits, which are a restricted line-item appropriation. Without the benefits increase, personal services would decrease 8.62 percent as a result of the FTE reductions.

The agency's plans for administrative consolidation with the Montana Agricultural Experiment Station resulted in total savings of \$228,473 each year. After retirement of the agency director, \$57,500 of this savings was removed from the budget in fiscal 1987. Part of the savings is used for increased retirement costs for administrators in the amount of \$60,871 which are included in the line item 2 appropriation. The balance of the consolidation personal services savings in the amount of \$110,102 per year was removed from the budget by the legislature. The Montana Cooperative Extension Service and the Montana Agricultural Experiment Station plan to continue as two separate entities; however, there will be shared administration and joint faculty research-extension-teaching appointments.

Table 1 shows the extension service breakdown of personal services by category, FTE, average salary, total salary, benefits, and vacancy savings for fiscal 1988. Table 1 includes in the faculty category 52.03 FTE county agents and \$1,115,525 for the state's portion of their salaries. It is anticipated there will be a total of 87.20 FTE county agents, with the counties paying the salary difference based on a county cost equal to 65 percent of the county clerk and recorder's salary as established in current law. Because the state pays all of the benefits for county agents, Table 1 includes total benefits of \$265,281 for 87.20 FTE county agents.

Table 1  
FTE and Personal Services Costs for Fiscal 1988

<u>Category</u>	<u>FTE</u>	<u>Avg Salary</u>	<u>Total Salary</u>
Faculty	81.89	\$24,894	\$2,038,591
Professional	9.00	39,023	351,209
Classified	23.20	15,928	369,539
Part-time	<u>1.68</u>	<u>16,657</u>	<u>27,984</u>
Total	115.77		\$2,787,323
Benefits		494,954	494,954
Federal Retirement - Increase		659,420	659,420
Health Insurance		35,880	35,880
Vacancy Savings		<u>(133,738)</u>	<u>(133,738)</u>
TOTAL PERSONAL SERVICES COSTS			<u>\$3,843,839</u>

Operating expenses decrease 8.57 percent. Due to fewer staff, there are reductions of \$31,628 in travel, \$6,106 in telephone, \$5,002 in moving costs for new hires, and \$6,058 in miscellaneous items. Increases include \$2,075 more for insurance and utilities. The fiscal 1989 operating expenses increase results from inflation for utilities and rent.

Equipment decreases 36.54 percent due to a lower agency request and revenue shortfall. Equipment for fiscal 1988 includes three personal computer packages for \$6,800; a mailroom printer for \$450; a copy machine for \$4,447; and a cassette recorder, software, and library books for \$1,132. Fiscal 1989 equipment includes two personal computer packages for \$5,200; software for \$4,400; a printer for \$1,200; audio-visual items for \$1,200; and software and library books for \$829.

#### Modifieds Approved:

1. Professional Retirement Benefit Increase: A total of \$1,325,151 is line itemed for increases in the retirement benefits for 124 administrators, specialists, and county agents. Because these professionals are state employees with Montana State University faculty contracts who, secondarily, have joint federal appointments, the legislature does not believe these personnel are federal employees within the meaning of the new Federal Retirement System Act, Public Law 99-335. Because the federal law is silent on this point and because the United States Department of Agriculture Cooperative Extension Service has advised the agency of its responsibility to provide the increased retirement benefits, there is a line-item appropriation, the total of which may be spent only if the federal courts determine the state must pay these benefits, as stipulated in the language in the bill. If these 124 staff members are not federal employees, then the agency is authorized to increase their benefits to a level equal to other state employees. For fiscal 1988, this would be \$206,144 for social security coverage averaging 7.33 percent and \$15,156 for the difference between the present Civil Service Retirement System and the state Teachers' Retirement System for all 124 employees. For fiscal 1989, equalization of benefits would cost \$212,455 for social security coverage averaging 7.51 percent and \$15,156 for retirement.

Funding: Federal unrestricted Smith-Lever funds from the United States Department of Agriculture are projected at \$1,829,268 each year of the biennium. Appropriated federal funds increase 0.85 percent from fiscal 1986 to 1988 and decrease 7.45 percent from the fiscal 1986 appropriated level of \$1,976,222. General fund revenue is utilized for the balance of the budget. The agency also receives restricted federal funds which are not shown in this budget as they are put into the current restricted fund.

Difference From Executive: The legislature authorized 0.42 fewer FTE than was recommended by the executive. However personal services are higher because of increased federal retirement benefits in the amount of \$659,420 in fiscal 1988 and \$665,731 in fiscal 1989. The personal services difference is less than these new retirement costs because the legislature authorized a different mix of professional and classified, with fewer professional FTE than the executive recommended. The legislature appropriated more for operating expenses in publications, supplies, and travel than was in the executive budget. A lesser amount was appropriated for equipment than was recommended by the executive budget which contained the agency's requested items.



AGENCY: FOREST AND CONSERVATION EXPERIMENT STATION

LEGISLATIVE ACTION

PROGRAM: RESEARCH

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
FTE	18.14	18.21	16.09	-2.12	18.21	16.09	-2.12	-2.05
Personal Services	\$515,809	\$511,084	\$493,009	\$(18,075)	\$511,084	\$493,009	\$(18,075)	-4.4
Operating Expenses	133,473	131,569	137,026	5,457	133,390	138,445	5,055	2.7
Equipment	19,062	13,233	13,500	267	13,233	13,500	267	-29.2
Non-Operating	3,468	0	0	0	0	0	0	-100.0
TOTAL EXPENSES	\$671,812	\$655,886	\$643,535	\$(12,351)	\$657,707	\$644,954	\$(12,753)	-4.2
FUNDING								
General Fund	\$119,504	\$655,886	\$643,535	\$(12,351)	\$657,707	\$644,954	\$(12,753)	438.5
State Special Revenue	552,308	0	0	0	0	0	0	-100.0
TOTAL FUNDING	\$671,812	\$655,886	\$643,535	\$(12,351)	\$657,707	\$644,954	\$(12,753)	-4.2

Program Description: The Montana Forest and Conservation Experiment Station is responsible for generating research and publications concerning productivity and use of forests, associated rangelands, water, wildlife, and recreation resources. The forest station operates the 28,000 acre Lubrecht Experimental Forest and the Mission-Oriented Research Program which had 33 ongoing second-growth forestry research projects in fiscal 1986. There also were 50 other forestry research projects being conducted at Lubrecht and other sites in cooperation with state, federal, and private entities. The forest station is the research branch of the University of Montana School of Forestry.

Budget: There is a 2.05 FTE reduction from fiscal 1986 staff comprised of 0.51 professional FTE, 0.22 classified FTE, and 1.32 FTE graduate research assistants. These personnel changes reflect Special Session III reductions. Personal services decrease 4.4 percent due to the FTE reductions. No vacancy savings was taken because the agency has fewer than 20 FTE. The agency's FTE and compensation for the 1989 biennium are shown in Table 1.



Table 1  
FTE and Average Salary for the 1989 Biennium

<u>Category</u>	<u>FTE</u>	<u>Average Salary</u>	<u>Cost</u>
Professional	9.00	\$29,919	\$269,271
Classified	5.90	20,359	120,118
Graduate Research Assistant	.64	17,828	11,410
Part-time	.55	17,015	9,358
Total	16.09		\$410,157
Benefits			82,852
TOTAL COMPENSATION			<u>\$493,009</u>

Operating expenses increase by 2.7 percent because of the Lubrecht Experimental Forest budget modification presented below. Without this modification, operating expenses decrease by 3.2 percent due primarily to removal of one-time expenditures from the base.

The fiscal 1986 non-operating costs of \$3,468 were incurred for a one-time land exchange to consolidate Lubrecht forest boundaries and, therefore, are not continued. Equipment decreases by 29.2 percent from the fiscal 1986 level and includes both laboratory and field research items.

Funding: General fund, the only revenue source, increases 438.5 percent due to a one-time appropriation of resource indemnity trust interest to replace general fund in fiscal 1986.

#### Modifieds Approved:

1. Lubrecht Experimental Forest: General fund of \$7,786 is budgeted for operating expenses each year towards the cost of Lubrecht fire protection fees, electricity, and telephone. In prior years, these items were charged to the Lubrecht account in the University of Montana auxiliary fund. However, due to declining revenue from timber sales, the agency began charging some auxiliary fund costs to the general fund in fiscal 1986.

Difference From Executive: The executive budget included 2.12 FTE more than the 16.09 FTE authorized by the legislature, but took 4 percent vacancy savings for a net difference of \$18,075 each year of the 1989 biennium. The executive budget was lower in supplies, travel, and maintenance, and slightly lower in equipment.

AGENCY: UNIVERSITY SYSTEM - SIX UNITS

LEGISLATIVE ACTION

PROGRAM: SYSTEM SUMMARY

BUDGET ITEM	FY 1986 Actual	Executive	Fiscal 1988 Legislature	Difference	Executive	Fiscal 1989 Legislature	Difference	FY 86-88 % Change
Instruction	\$ 60,616,310	\$ 56,416,872	\$ 61,334,878	\$4,918,006	\$ 56,416,872	\$61,091,855	\$4,674,983	1.19
MBA - UM	0	0	163,000	163,000	0	0	0	100.00
Support	34,815,968	31,114,864	32,318,222	1,203,358	30,762,064	32,265,401	1,503,337	-7.17
Research	1,259,499	1,160,800	1,086,897	(73,903)	1,162,607	1,088,206	(74,401)	-13.70
Yellow Bay - UM	0	0	75,000	75,000	0	75,000	75,000	100.00
Travel Prog - UM	0	0	112,284	112,284	0	122,500	122,500	100.00
Public Service	455,205	412,828	446,518	33,690	412,934	446,542	33,608	-1.91
Physical Plant	14,985,046	15,779,137	16,374,085	594,948	16,202,515	16,835,186	632,671	9.27
Scholarships	2,715,016	2,964,656	3,022,699	58,043	2,964,656	3,001,420	36,764	11.33
TOTAL EXPENSES	\$114,847,044	\$107,849,157	\$114,933,583	\$7,084,426	\$107,921,648	\$114,926,110	\$7,004,462	0.08

FUNDING

General Fund	\$73,168,435	\$ 68,800,061	\$ 73,265,269	\$4,465,208	\$68,686,478	\$73,355,462	\$4,668,984	0.13
Tuition and Fees	24,308,293	25,488,526	27,050,359	1,561,833	25,488,526	26,910,677	1,422,151	11.28
Millage	14,384,000	12,924,000	12,864,200	(59,800)	13,125,000	12,906,000	(219,000)	-10.57
Indirect Cost Reimbursement	1,804,122	0	1,136,471	1,136,471	0	1,136,471	1,136,471	37.01
Other	522,124	636,570	617,284	(19,286)	621,644	717,500	(4,144)	18.23
Spenddown Fund Balance	660,070	0	0	0	0	0	0	N/A
TOTAL FUNDING	\$114,847,044	\$107,849,157	\$114,933,583	\$7,084,426	\$107,921,648	\$114,926,110	\$7,004,462	0.08

Program Description: The Montana university system is composed of two universities and four colleges which serve approximately 25,000 students each year. Program budgets of the units of the university system include instruction, organized research, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarships and fellowships. An agency summary for each unit appears at the end of this narrative.

Language in the Bill: Language for the six-mill levy, consistency between programs and units, indirect cost reimbursements, the university funding study, audit costs, non-resident tuition supplemental, and the Museum of the Rockies is shown below.



**Consistency Between Programs and Units:** The six university units shall account for expenditures consistently within programs and funds across all units and shall use the National Center for Higher Education Management Systems program classification structure along with College and University Business Administration (CUBA) system as a minimum standard for achieving consistency.

**Indirect Cost Reimbursements:** Each year of the biennium the portion of indirect cost reimbursements that exceeds the amount set forth in the current unrestricted operating subfund appropriation for each unit is appropriated to the respective unit. All indirect cost reimbursements not expended in the current unrestricted operating subfund account must be clearly identified and separately accounted for during the 1989 biennium. Each university system unit shall submit a written report to the Legislative Finance Committee by October 14, 1988, of the activities supported and accomplishments achieved with all indirect cost reimbursement expended in funds other than the current unrestricted operating subfund for fiscal 1988.

**Six-Mill Levy:** Included within current unrestricted funds to the six institutions is the sum of \$12,864,200 in fiscal 1988 and \$12,906,000 in fiscal 1989 from revenue generated under the provisions of 20-45-423. The department of revenue shall levy the full 6 mills as authorized in 20-25-423. Revenues received by the university system under the provisions of 20-25-423 that exceed \$12,864,200 in fiscal 1988 and \$12,906,000 in fiscal 1989 must cause a general fund reversion of a like amount each year.

**University Funding Study:** The Montana Legislature recognizes the need to review the adequacy of the current method for funding the university system. The study shall be conducted by an eight member legislative committee comprised of four members appointed by House leadership and four members appointed by the Senate committee on committees. The study shall be coordinated by the Office of the Legislative Fiscal Analyst in conjunction with the Commissioner of Higher Education and active participation of the Office of Budget and Program Planning. The scope of the study will encompass a review of higher education expenditures and funding, and an analysis of the adequacy and consistency of the university financing. The study shall also address cost-effective methods of developing uniform personnel and class enrollment systems, and consistent statewide budgeting and accounting system procedures and reports.

**Audit Costs:** Total audit costs are estimated to be \$378,124 for the biennium. Twenty-five percent of these costs (50 percent for MSU and UM) are to be paid from funds other than those appropriated in the general appropriations bill.

**Non-Resident Tuition Supplemental:** If gross actual nonresident incidental fee revenues, reduced by 18.45 percent for nonresident waivers, are less than \$1,631,995 for fiscal 1988 and less than \$1,605,092 for fiscal 1989, MSU may request a supplemental for the difference.

If gross actual nonresident incidental fee revenues, reduced by 18.45 percent for nonresident waivers, are less than \$1,748,796 for fiscal 1988 and less than \$1,751,420 for fiscal 1989, UM may request a supplemental for the difference.



**Museum of the Rockies:** General fund support of the Museum of the Rockies does not extend beyond the 1989 biennium. It is expected that private funds will replace general fund support beginning in the 1991 biennium. This item is a biennial appropriation.

**Legislative Intent:**

**Energy Cost Savings:** The energy cost savings generated by obtaining lower natural gas rates was retained by MSU to encourage energy saving measures. MSU has requested long-range building approval for an energy management control system. MSU will secure a loan for this system and use the cost savings generated from this energy savings to repay the loan. The cost savings are to be retained in the current unrestricted fund.

**Budget:** The budget was developed using the university formula implemented in the 1981 session. Expenditures are categorized in six functional areas: instruction, support, plant operations and maintenance, research, public service, and scholarships and fellowships. The instruction and support programs' budgets, as well as estimates for tuition and scholarships and fellowships, rely on student enrollment estimates. Table 1 lists the actual enrollment for fiscal 1986, the anticipated fiscal 1987 enrollment, and enrollment projections for the 1989 biennium.

Table 1  
Montana University System - FTE Student Enrollment

Unit	Actual Fiscal 1986	Actual Fiscal 1987	- - - - - Budgeted Fiscal 1988	- - - - - Fiscal 1989
MSU	10,097	9,664	9,403	9,248
UM	8,144	7,966	7,996	8,008
EMC	3,442	3,288	3,199	3,198
NMC	1,693	1,710	1,702	1,730
WMC	854	926	916	905
MCMST	1,659	1,573	1,550	1,550
Total Enrollment	<u>25,889</u>	<u>25,127</u>	<u>24,766</u>	<u>24,639</u>

Modifieds Approved:

Base Enrollment - An enrollment of 1,550 FTE for MCMST was established as a base enrollment level required to maintain the speciality mining and engineering technology programs, which is 66 more than the 1,484 FTE projected for fiscal 1988 and 194 more than the 1,356 FTE projected for fiscal 1989. This results in a budget increase of \$277,962 in fiscal 1988 and \$817,898 in fiscal 1989. Of this increase, \$201,789 in fiscal 1988 and \$593,995 in fiscal 1989 is general fund. The other revenue is tuition and fees.

Instruction: The university system budget for the instruction program is \$122,426,733 for the 1989 biennium. The funding level is at 99 percent for the instruction program for both years of the 1989 biennium. Table 2 lists the instruction support rate and the average salary formula factors used to develop the budget for the instruction program.

Table 2  
Instruction Program - Formula Factors Adopted

Unit	Instruction Support Rate - - -		FY 88 and FY 89 Average Salary
	Fiscal 1988	Fiscal 1989	
MSU	\$633.30	\$633.92	\$30,986
UM	494.68	495.16	30,986
EMC	409.75	410.15	27,722
NMC	466.97	467.42	27,495
WMC	531.69	532.21	27,495
MCMST	633.30	633.92	29,996

An additional \$130,000 annually was added to the instruction program at MSU to reflect the expenditure authority for special architecture fees which are included in current unrestricted funds. The \$130,000 is line-itemed in the instruction budget for the architecture programs. MSU is not required to expend the full line-itemed amount if the revenue is not realized.

An additional \$174,000 annually was added to the instruction program at UM to reflect the expenditure authority for special law and pharmacy fees which are included in current unrestricted funds. The \$174,000 is line-itemed in the instruction budget for the law and pharmacy programs. UM is not required to expend the full line-itemed amount if the revenue is not realized.

Modifieds Approved:

Instruction Support Rate - EMC - The instruction support rate per FTE for EMC was increased for the education discipline area from \$535.17 to \$621.24 in fiscal 1988 and from \$535.69 to \$621.85 in fiscal 1989, bringing the EMC education rate up to the universities' education instruction support rate. When the increased education rate



was weighted with the rates for the other discipline areas, the total instructional support rate per FTE increased from \$381.79 to \$409.75 for fiscal 1988 and from \$382.16 to \$410.15 for fiscal 1989. This support rate change adds \$96,229 in fiscal 1988 and \$96,323 in fiscal 1989.

Instruction Support Rate - MCMST - The instruction support rate per FTE for MCMST was increased for upper division and graduate engineering courses from \$536.52 to \$1,214.35 in fiscal 1988 and from \$536.95 to \$1,215.55 in fiscal 1989. When the increased engineering rate is weighted with the rates for the other discipline areas, the total instructional support rate per FTE increases from \$464.57 to \$633.30 for fiscal 1988 and from \$465.97 to \$633.92 for fiscal 1989, bringing the total instruction support rate up to the MSU rate. This support rate change adds \$279,945 in fiscal 1988 and \$280,259 in fiscal 1989.

Support: The support budget totals \$64,583,623 for the 1989 biennium, and decreases by 7.17 percent from fiscal 1986 to fiscal 1988. A funding level of 91 percent is used for fiscal 1988 and 92 percent for fiscal 1989 compared to the 1985 regular session rates of 95 percent in fiscal 1986 and 97 percent for fiscal 1987. The support budget includes academic, institutional, and student services support, and includes such expenditures as intercollegiate athletics, libraries, counseling, registration, academic deans, and other administrative functions. Support is calculated using each unit's enrollment and a flat rate per FTE student. The rate reflects support expenditures at a group of similar schools in the western United States. A support rate of \$1,396 per student is used for MSU and UM, \$1,387 for EMC, NMC, and WMC, and \$1,650 for MCMST.

Audit costs total \$378,124 of which \$241,015 is included in the support program budget. EMC, NMC, WMC, and MCMST are required to fund 25 percent of audit costs from funds other than current unrestricted; MSU and UM are required to fund 50 percent from sources other than current unrestricted funds.

#### Modifieds Approved:

Museum of the Rockies - A \$100,000 biennial appropriation for MSU provides funding for new museum personnel. This general fund support will not continue beyond the 1989 biennium when private funds are expected to replace general fund.

Research: MSU, MCMST, and UM have research programs. These budgets are incrementally budgeted using fiscal 1986 expenditures within the appropriated levels. The research budget for the three units for the 1989 biennium totals \$2,175,103. The research budget decreases by 13.7 percent from fiscal 1986 to fiscal 1988 because fiscal 1986 had an \$82,142 expenditure for MONTCLIRC at UM which has been deleted from the research budget. Also, fiscal 1988 expenditures reflect a reduction at UM because expenditures exceeded the fiscal 1986 allocation for the research program.

Public Service: Four units have public service programs which are incrementally budgeted. The public service budget for MSU, UM, NMC, and EMC for the 1989 biennium totals \$893,060, decreasing by 1.91 percent from fiscal 1986 to 1988.

Plant: The plant operation and maintenance incremental budget for the 1989 biennium totals \$33,209,271, and increases by 9.27 percent from fiscal 1986 to fiscal 1988. The increase is due to inflation, primarily in utilities, and to



adjustments to plant expenditures. Vacancy savings of 4 percent was applied to MSU, UM, EMC, and MCMST for a total of \$179,465 annually. Both WMC and NMC employ fewer than 20 FTE in the plant program and had no vacancy savings applied.

NMC and MCMST retain portions of the fiscal 1986 plant program expenditures which exceeded the base. NMC retains \$125,000 annually and MCMST retains \$115,000 each year for continuing maintenance needs.

MSU additional annual adjustments include \$36,573 for fiscal 1987 new space costs and \$75,679 for major sewer and water rate increases. UM received \$22,000 per year for water rate increases. Insurance costs were adjusted for consistent accounting by all six units, and increased in the plant program by \$88,030 per year.

To encourage cost savings measures, MSU's plant program budget retains \$146,253, the amount MSU will save because of natural gas energy savings due to receiving a lower rate from Montana Power when MSU considered switching to a wood pellet system. Included within the MSU plant program appropriation for each year of the 1989 biennium is \$229,535 which had been removed from the fiscal 1987 budget by the 1985 legislature. In fiscal 1984 MSU transferred \$229,535 from the plant program to the instructional formula driven portion of the budget, thus lowering the plant expenditure base. The 1985 legislature appropriated, above the expenditure level, \$229,535 for the plant program in fiscal 1986 only. The 1989 biennium budget for the MSU plant program restores the \$229,535 to the plant program base.

#### Modifieds Approved:

Hazardous Waste Management - Funding of \$140,030 annually for a hazardous waste management program will provide a systemwide plan coordinated by MSU with appropriations to each unit. Under the plan MSU would receive \$64,288, UM \$27,895, EMC \$12,345, NMC \$7,081, WMC \$7,081, and MCMST \$21,340. The total includes 3.5 FTE for \$73,680 in personal services, \$50,950 in operating costs, and \$15,400 in equipment.

New Space - Funding for MSU of \$24,528 in fiscal 1988 and \$26,034 in fiscal 1989 was accepted for maintenance, utilities, and .44 FTE for instructional space for a new addition to the Health and Physical Education building.

New Space - Funding of \$103,311 in fiscal 1988 and \$107,862 in fiscal 1989 for UM was accepted for maintenance, utilities, and 2.62 FTE in Corbin Hall which has been remodeled from dormitory space to academic use for classrooms and offices.

New Space - Funding of \$67,500 and 1.9 FTE for each year of the 1989 biennium was accepted for MCMST to provide utilities and maintenance costs at \$3.00 per square foot for 22,500 square feet of instructional space in a new addition to the Health, Physical Education, and Recreation building.

Security Personnel - Funding of \$34,000 annually for 2.0 FTE security personnel was provided for NMC.

**Scholarships and Fellowships:** The scholarship program budget is \$6,024,119 for the 1989 biennium and increases by 11.33 percent from fiscal 1986 to fiscal 1988 reflecting a combination of higher tuition costs, lower total enrollment,

and declining out-of-state enrollment. This budget is developed using 5.75 percent of anticipated in-state registration and incidental fees and 18.45 percent of projected out-of-state incidental fees. Projections are also included for mandatory fee waivers for eligible students: Native Americans, veterans, senior citizens, high school honor recipients, etc. NMC's scholarship and fellowship budget reflects an addition of \$29,511 in fiscal 1988 and \$22,383 in fiscal 1989 for a phase-down from historic funding patterns.

#### Modifieds Approved:

University Funding Study - Funding of a \$150,000 biennial appropriation was accepted to review the adequacy of the current method for funding the University System. Of this amount, \$15,000 is allocated to the Office of the Commissioner of Higher Education and \$5,000 to the Office of Budget and Program Planning for costs associated with the study. The Office of the Legislative Fiscal Analyst will receive \$130,000 for operating expenses, 1 FTE, and per diem and travel for the eight-member legislative committee.

Funding: The six units of the university system are funded from state general fund, tuition and fees, a state six-mill levy, indirect cost reimbursement collections, and other miscellaneous sources.

**General Fund:** The university system budget includes \$146.6 million of general fund in the 1989 biennium, with an increase of \$96,834 from fiscal 1986 to fiscal 1988. From fiscal 1988 to fiscal 1989 general fund increases by \$90,193.

**Tuition and Fees:** Tuition and fees revenue is projected using the tuition rates charged by the university system in fiscal 1987. That rate includes the rate approved by the 1985 legislature plus a surcharge of \$2 per credit hour (\$3 if on a semester basis) totaling \$72 per full-time equivalent (FTE) student. The surcharge was levied by the Board of Regents for fiscal 1987 to offset declining enrollments and decreased general fund. The tuition increase combines with decreased enrollment to provide tuition and fee revenue of \$27.1 million in fiscal 1988 and \$26.9 million in fiscal 1989. Tuition revenue is 11.28 percent higher in fiscal 1988 than in 1986. Included in the tuition and fees revenue are additional law/pharmacy fees of \$174,000 each fiscal year at UM and additional architecture fees of \$130,000 each fiscal year at MSU.

Language in House Bill 2 allows MSU and UM to request a supplemental appropriation for the difference between their gross actual nonresident incidental fee revenues, reduced by 18.45 percent for nonresident waivers, and the net nonresident incidental fee revenues projected by the legislature.

**Six-Mill Levy:** The state is authorized to collect up to six mills on the taxable value of all real and personal property in the state. The proceeds are used for the support, maintenance, and improvement of the Montana university system and other public education institutions subject to the supervision of the board of regents. These funds are subject to legislative appropriation. The present ten-year authorization for the six-mill levy terminates on January 1, 1989, and will be submitted to the voters for ten-year reauthorization on November 8, 1988.

Estimates for millage receipts were set at \$12.9 million for each year of the biennium. However, property tax legislation passed during the session will impact the property tax base and may reduce the six-mill levy receipts for the 1989 biennium by approximately \$1 million.



**Indirect Cost Reimbursements:** Institutional costs are incurred in providing support for government-sponsored research. These costs (accounting, administration, utilities, library expenses, etc.) are provided for with indirect cost reimbursements that are calculated as a portion of the total amount of the research project. Both federal and state projects allow indirect cost reimbursements to the institutions providing the supporting activities for the research. In the 1987 biennium each unit was allowed to retain 15 percent of the total indirect cost reimbursements, with the other 85 percent deposited in the current unrestricted fund. Any amount beyond that anticipated in the appropriation bill would cause a reversion of general fund money. In Special Session III, the legislature appropriated to the university units all amounts exceeding the estimate for indirect cost reimbursement set forth in the general appropriations bill. At that time the units estimated \$380,00 in excess indirect cost reimbursement.

The current unrestricted fund revenue for indirect cost reimbursements for the 1989 biennium is projected at 50 percent of the estimate used for fiscal 1987, including the estimated excess receipts of \$380,000. The receipts for the 1989 biennium are estimated at 50 percent of \$2,272,941 for each year of the 1989 biennium. Each unit will track the actual costs incurred by the institution for support of grant activities. The \$60,000 reimbursement to MCMST from the Bureau of Mines was moved from the indirect cost recovery revenue to the other revenue category.

**Other Revenue:** For the 1989 biennium, \$1,234,784 from other revenue sources is anticipated for the six units of the university system. From fiscal 1986 to fiscal 1988 this revenue source increases by 18.23 percent due to appropriations of \$284,784 in state special revenue to UM for the Yellow Bay research station in House Bill 599 and for a travel program in House Bill 84.

Other Legislation: Three bills appropriated funds to the university system for programs at UM.

1. House Bill 84 - provides for 2.45 percent (2.5 percent of 98 percent) of the tax imposed on users of motels, hotels, and campgrounds, to be appropriated to the university system to establish and maintain a Montana travel research program. The estimated amounts for the travel program are \$112,284 in fiscal 1988 and \$122,500 in fiscal 1989. The Board of Regents authorized UM to establish a tourism and recreation institute to conform with House Bill 84.
2. House Bill 599 - provides funding of \$100,000 in general fund and \$50,000 from the Department of Fish, Wildlife, and Parks for the 1989 biennium for the UM biological station at Yellow Bay.
3. House Bill 787 - appropriates \$163,000 in general fund for fiscal 1987 to develop and extend by satellite the MBA program at UM to students at EMC.

Two units of the university system will receive grants due to two bills appropriating funds to the Department of Natural Resources and Conservation for grants to state agencies.

1. House Bill 6 - appropriates funds to the Department of Natural Resources and Conservation for Resource Indemnity Trust grant projects for the 1989 biennium. The UM botany department will receive a grant of \$26,638 for improving the biotic resources of the Upper Clark Fork.



2. House Bill 7 - appropriates funds to the Department of Natural Resources and Conservation for water and renewable resource development grants for the 1989 biennium. MSU will receive a grant of \$37,500 for plastic irrigation canal lining.

Difference From Executive: The 1989 biennium budget for the six units of the university system is \$14,088,888 higher than recommended by the executive, with \$547,784 added through separate legislation for special programs at UM. The budget was developed using 1989 biennium enrollment estimates of 49,405 FTE which is 679 less than the 50,084 FTE proposed by the executive. Vacancy savings of 4 percent was applied only to the plant programs which were over 20 FTE: MSU, UM, EMC, and MCMST. The executive recommended 4 percent vacancy savings for all programs except instruction.

Funding levels were approved at 99 percent for the instruction program for both years of the biennium, and at 91 percent in fiscal 1988 and 92 percent in fiscal 1989 for the support program. The executive recommended a funding level of 95 percent for the instruction program, and recommended a 4 percent vacancy savings and a funding level of 94 percent for the support program. The legislature adopted formula factors for salaries and support rates that reflected actual personal services increases over the last biennium. The executive proposal reduced personal services factors for the amount of the unfunded pay plan and by 60 percent of the fiscal year 1987 5 percent cut in appropriation authority.

The incrementally funded research program budget is \$148,304 less than the executive proposal because the recommended 4 percent vacancy savings was not applied and the MONTCLIRC program was removed from the UM budget. The public service program, also incrementally funded, is \$67,298 higher than the executive due to not applying the recommended vacancy savings and not using the executive recommendation for a base budget adjusted to reflect fiscal 1987 reductions. The other incrementally funded program, the plant operations and maintenance program, is \$1.2 million higher than the executive recommendation due to the approval of several modifications; the retention of potential energy savings; insurance and water rate increases; and retention for continuing maintenance costs of plant expenditures which exceeded the base. Vacancy savings was applied to four units' plant programs.

The scholarship and fellowship program is \$94,807 higher than the executive recommendation due to the adoption by the legislature of tuition estimates that were higher than the executive proposal.

Funding for the university system includes 50 percent of the estimated indirect cost recovery revenue which is \$2.3 million more than the executive proposal that would have allowed the individual units to retain 100 percent of this revenue in subfunds other than current unrestricted. Tuition and fees estimates are \$3 million higher than the executive proposal due to continuing the surcharge which was levied in fiscal 1987. The estimates adopted for the six-mill levy revenue are \$278,800 less than the executive proposal. The legislature adopted a university system budget that uses \$9.1 million more in general fund than the executive proposal.

Agency Summaries: A summary for each unit of the university system shows expenses by program and funding by source for each year of the 1989 biennium.

AGENCY: MONTANA STATE UNIVERSITY

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
Student FTE	10,097	9,573	9,403	(170)	9,573	9,248	(325)	(694)
Instruction	\$25,187,572	\$23,075,478	\$24,865,107	\$1,789,629	\$23,075,478	\$24,491,863	\$1,416,385	-1.28
Support	13,585,047	11,694,429	12,096,683	402,254	11,612,829	11,984,820	371,991	-10.96
Research	578,210	530,616	597,925	67,309	530,616	597,925	67,309	3.41
Public Service	10,057	10,048	10,300	252	10,048	10,300	252	2.42
Physical Plant	4,852,855	5,397,624	5,503,085	105,461	5,596,708	5,696,322	99,614	13.40
Scholarships	896,879	1,023,359	1,125,273	101,914	1,023,359	1,106,723	83,364	25.47
TOTAL EXPENSES	\$45,110,620	\$41,731,554	\$44,198,373	\$2,466,819	\$41,849,038	\$43,887,953	\$2,038,915	-2.02
FUNDING								
General Fund	\$28,302,260	\$26,857,586	\$27,819,274	\$ 961,688	\$26,895,675	\$27,670,172	\$ 774,497	-1.71
Tuition and Fees	9,431,365	9,518,988	10,311,269	792,281	9,518,988	10,143,440	624,452	9.33
Millage	5,681,680	5,104,980	5,081,359	(23,621)	5,184,375	5,097,870	(86,505)	-10.57
Indirect Cost Reimbursement	935,000	0	726,471	726,471	0	726,471	726,471	-22.30
Other	362,427	250,000	260,000	10,000	250,000	250,000	0	-28.26
Spenddown Balance	397,888							
TOTAL FUNDING	\$45,110,620	\$41,731,554	\$44,198,373	\$2,466,819	\$41,849,038	\$43,887,953	\$2,038,915	-2.02

Budget: The fiscal 1988 budget decreases by 2.02 percent from fiscal 1986 to fiscal 1988, while enrollment declines by 694 FTE or 6.9 percent. The decreases in the instruction and support programs are due to the funding level changes and enrollment decrease. The increase of \$650,230 from fiscal 1986 to fiscal 1988 for the plant program results from inflation increases plus adjustments for utility cost increases, hazardous waste management, and fiscal 1987 new space. Scholarships and fellowships increase by \$228,394 from fiscal 1986 to 1988 because of tuition and enrollment changes, and because a portion of the scholarship budget was omitted in fiscal 1986.

Funding: Tuition revenue increases by 9.33 percent due to tuition increases and the addition of \$130,000 for special architecture fees, millage estimates decrease by 10.57 percent, and indirect cost reimbursement reduction decreases the fiscal 1988 receipts by 22.30 percent. MSU requested a 28.26 percent reduction in estimated other revenue.



AGENCY: UNIVERSITY OF MONTANA

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
Student FTE	8,144	7,983	7,996	13	7,983	8,008	25	(148)
Instruction								
MBA with EMC	\$18,894,842	\$17,499,838	\$19,143,786	\$1,643,948	\$17,499,838	\$19,203,709	\$1,703,871	1.32
Support	0	0	163,000	163,000	0	0	0	100.00
Research	10,014,583	9,800,051	10,292,488	492,437	9,720,851	10,378,315	657,464	2.78
Yellow Bay	631,404	592,758	445,254	(147,504)	594,436	446,534	(147,902)	-29.48
Travel Program	0	0	75,000	75,000	0	75,000	75,000	100.00
Public Service	211,283	189,450	112,284	112,284	189,462	122,500	122,500	100.00
Physical Plant	5,099,031	5,268,397	195,892	6,442	5,405,843	195,904	6,442	-7.28
Scholarships	897,738	981,835	5,388,983	120,586	981,835	5,530,823	124,980	5.69
			983,741	1,906		985,218	3,383	9.58
TOTAL EXPENSES	\$35,748,881	\$34,332,329	\$36,800,428	\$2,468,099	\$34,392,265	\$36,938,003	\$2,545,738	2.94
FUNDING								
General Fund	\$22,324,622	\$21,228,028	\$23,062,160	\$1,834,132	\$21,226,860	\$23,162,841	\$1,935,981	8.22
Tuition and Fees	8,264,145	9,075,405	9,309,679	234,274	9,075,405	9,323,650	248,245	12.65
Millage	4,372,736	3,928,896	3,910,717	(18,179)	3,990,000	3,923,424	(66,576)	-10.57
Indirect Cost Reimbursement	400,000	0	270,588	270,588	0	270,588	270,588	-32.35
Other	108,650	100,000	247,284	147,284	100,000	257,500	157,500	127.60
Resource Indemnity Trust	278,728							
TOTAL FUNDING	\$35,748,881	\$34,332,329	\$36,800,428	\$2,468,099	\$34,392,265	\$36,938,003	\$2,545,738	2.94

Budget: The fiscal 1988 budget shows a 2.94 percent increase over fiscal 1986, while enrollment declines by 148 FTE or 1.82 percent for the same period. Research program funds decrease by 29.48 percent because the MONTCLIRC program funds have been removed from the budget. Other legislation increased the UM budget by \$350,284 in fiscal 1988 and by \$197,500 in fiscal 1989 for extension of the MBA degree to EMC, development of a travel research program, and expansion of the Yellow Bay Research Program. Scholarships and fellowships increase by 9.58 percent due to tuition increases.



Funding: General fund increases by 2.86 percent due to a one-time resource indemnity trust appropriation of \$278,928 used in fiscal 1986 to replace general fund, and the programs added through legislation other than House Bill 2. Other revenue increases by 127.60 percent because \$137,284 of the funding in fiscal 1988 for the travel program and the Yellow Bay Biological Station are from state special revenue.

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
Student FTE	3,442	3,276	3,199	(77)	3,276	3,198	(78)	(243)
Instruction	\$ 6,676,322	\$ 6,152,031	\$ 6,602,051	\$450,020	\$ 6,152,031	\$ 6,612,129	\$460,098	-1.11
Support	4,615,792	4,044,030	4,145,159	101,129	3,991,230	4,146,548	155,318	-10.20
Research	0	0	0	0	0	0	0	N/A
Public Service	224,803	204,755	231,435	26,680	204,849	231,447	26,598	2.95
Physical Plant	1,950,003	2,023,125	2,030,343	7,218	2,042,192	2,084,794	42,602	4.12
Scholarships	312,905	322,850	353,209	30,359	322,850	353,099	30,249	12.88
TOTAL EXPENSES	\$13,779,825	\$12,746,791	\$13,362,197	\$615,406	\$12,713,152	\$13,428,017	\$714,865	-3.03
FUNDING								
General Fund	\$ 8,892,892	\$ 8,136,574	\$ 8,403,004	\$266,430	\$ 8,076,805	\$ 8,464,391	\$387,586	-5.51
Tuition and Fees	2,908,238	2,905,097	3,200,081	294,984	2,905,097	3,199,081	293,984	10.04
Millage	1,869,920	1,680,120	1,672,347	(7,773)	1,706,250	1,677,780	(28,470)	-10.57
Indirect Cost Reimbursement	85,000	0	61,765	61,765	0	61,765	61,765	-27.34
Other	23,775	25,000	25,000	0	25,000	25,000	0	5.15
TOTAL FUNDING	\$13,779,825	\$12,746,791	\$13,362,197	\$615,406	\$12,713,152	\$13,428,017	\$714,865	-3.03

Budget: The fiscal 1988 budget declines by 3.03 percent from the fiscal 1986 level, while enrollment decreases by 243 FTE or 7.06 percent. The decreases in the instruction and support programs are due to the funding level changes and decline in student enrollment. The incremental budgets, public service and plant, increase by \$86,972 from fiscal 1986 to fiscal 1988 due primarily to inflation. Scholarships and fellowships increase because of increase in tuition.

Funding: General fund decreases by 5.51 percent from fiscal 1986 to fiscal 1988 due to overall budget decrease and tuition increase. Tuition revenue increases by 10.04 percent, millage estimates decline by 10.57 percent, and indirect cost reimbursement reduction decreases the fiscal 1988 receipts by 27.34 percent.

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
Student FTE	1,693	1,736	1,702	(34)	1,736	1,730	(6)	9.00
Instruction	\$3,765,898	\$4,041,362	\$4,276,792	\$235,430	\$4,041,362	\$4,354,686	\$313,324	13.57
Support	2,439,544	2,122,236	2,183,012	60,776	2,079,036	2,207,549	128,513	-10.52
Research	0	0	0	0	0	0	0	N/A
Public Service	9,062	8,575	8,891	316	8,575	8,891	316	-1.89
Physical Plant	1,081,539	1,053,678	1,121,444	67,766	1,079,017	1,146,577	67,560	3.69
Scholarships	238,369	264,188	274,815	10,627	264,188	271,722	7,534	15.29
TOTAL EXPENSES	\$7,534,412	\$7,490,039	\$7,864,954	\$374,915	\$7,472,178	\$7,989,425	\$517,247	4.39
FUNDING								
General Fund	\$5,330,908	\$5,260,553	\$5,511,019	\$250,466	\$5,230,632	\$5,607,269	\$376,637	3.38
Tuition and Fees	1,311,199	1,450,746	1,562,965	112,219	1,450,746	1,588,678	137,932	19.20
Millage	863,040	775,440	771,852	(3,588)	787,500	774,360	(13,140)	-10.57
Indirect Cost Reimbursement	24,807	0	14,118	14,118	0	14,118	14,118	-43.09
Other	4,458	3,300	5,000	1,700	3,300	5,000	1,700	12.16
TOTAL FUNDING	\$7,534,412	\$7,490,039	\$7,864,954	\$374,915	\$7,472,178	\$7,989,425	\$517,247	4.39

Budget: The fiscal 1988 budget increases by 4.39 percent due to an enrollment increase of 9 FTE or .53 percent from fiscal 1986 to fiscal 1988. The instruction program increases by 13.57 percent from fiscal 1986 to fiscal 1988 because fiscal year 1986 expenditures were \$458,000 less than the instruction program appropriation. The support program decrease of 10.52 percent from fiscal 1986 to fiscal 1988 is due to the expenditure in fiscal 1986 of \$149,000 more than the support program allocation. Scholarships and fellowships increases by \$36,446 from fiscal 1986 to fiscal 1988 due to tuition increases and additional phasedown funds in fiscal 1988 and 1989, gradually decreasing the number of non-resident waivers.

Funding: General fund increases 3.38 percent from fiscal 1986 to fiscal 1988. Tuition revenue increases by 19.2 percent due to tuition rate increases and enrollment increases. Millage estimates are 10.57 percent lower for fiscal 1988 than fiscal 1986, and indirect cost reimbursements reduction decreases that revenue by 43.09 percent from fiscal 1986 to fiscal 1988.



AGENCY: WESTERN MONTANA COLLEGE

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
Student FTE	854	947	916	(31)	947	905	(42)	62.00
Instruction	\$1,790,395	\$2,235,292	\$2,368,994	\$133,702	\$2,235,292	\$2,344,394	\$109,102	32.32
Support	1,383,313	1,192,571	1,201,531	8,960	1,150,571	1,166,375	15,804	-13.14
Research	0	0	0	0	0	0	0	N/A
Public Service	0	0	0	0	0	0	0	N/A
Physical Plant	688,142	683,431	735,177	51,746	692,777	750,530	57,753	6.84
Scholarship	75,057	83,231	83,472	241	83,231	82,469	(762)	11.21
TOTAL EXPENSES	\$3,936,907	\$4,194,525	\$4,389,174	\$194,649	\$4,161,871	\$4,343,768	\$181,897	11.49
FUNDING								
General Fund	\$2,733,517	\$2,902,654	\$3,084,480	\$181,826	\$2,863,568	\$3,048,273	\$184,705	12.84
Tuition and Fees	715,458	869,553	877,452	7,899	869,553	866,915	(2,638)	22.64
Millage	460,288	413,568	411,654	(1,914)	420,000	412,992	(7,008)	-10.57
Indirect Cost Reimbursement	18,094	0	10,588	10,588	0	10,588	10,588	-41.48
Other	9,550	8,750	5,000	(3,750)	8,750	5,000	(3,750)	-47.64
TOTAL FUNDING	\$3,936,907	\$4,194,525	\$4,389,174	\$194,649	\$4,161,871	\$4,343,768	\$181,897	11.49

Budget: The fiscal 1988 budget increases by 11.49 percent and enrollment increases by 62 FTE or 7.26 percent over fiscal 1986. For fiscal 1986 WMC requested an adjustment moving \$399,859 from the instruction program into the support program. Fiscal 1988 comparisons reflect this adjustment. Plant expenditures increase by 6.84 percent due to inflation and a 1987 maintenance adjustment. Scholarships and fellowships increase by 11.21 percent from fiscal 1986 to fiscal 1988 due to enrollment and tuition increases.

Funding: General fund increases \$350,963, or 12.84 percent from fiscal 1986 to fiscal 1988. Tuition and fees increase due to tuition and enrollment increases. Millage estimates decline by 10.57 percent, and the indirect cost reimbursements reduction decreases that revenue by \$7,506. The other revenue sources are reduced by \$4,550 from fiscal 1986 to fiscal 1988.

AGENCY: MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

LEGISLATIVE ACTION

PROGRAM: AGENCY SUMMARY

BUDGET ITEM	FY 1986 Actual	Fiscal 1988			Fiscal 1989			FY 86-88 % Change
		Executive	Legislature	Difference	Executive	Legislature	Difference	
Student FTE	1,659	1,527	1,550	23	1,527	1,550	23	(109)
Instruction	\$4,301,281	\$3,412,871	\$4,078,148	\$ 665,277	\$3,412,871	\$4,085,074	\$ 672,203	-5.19
Support	2,777,689	2,261,547	2,399,349	137,802	2,207,547	2,381,794	174,247	-13.62
Research	49,885	37,426	43,718	6,292	37,555	43,747	6,192	-12.36
Public Service	0	0	0	0	0	0	0	N/A
Physical Plant	1,313,476	1,352,882	1,595,053	242,171	1,385,978	1,626,140	240,162	21.44
Scholarships	294,068	289,193	202,189	(87,004)	289,193	202,189	(87,004)	-31.24
TOTAL EXPENSES	\$8,736,399	\$7,353,919	\$8,318,457	\$ 964,538	\$7,333,144	\$8,338,944	\$1,005,800	-4.78
FUNDING								
General Fund	\$5,567,690	\$4,414,666	\$5,385,332	\$ 970,666	\$4,392,938	\$5,402,516	\$1,009,578	-3.28
Tuition and Fees	1,677,888	1,668,737	1,788,913	120,176	1,668,737	1,788,913	120,176	6.62
Millage	1,136,336	1,020,996	1,016,271	(4,725)	1,036,875	1,019,574	(17,301)	-10.57
Indirect Cost Reimbursement	341,221	0	52,941	52,941	0	52,941	52,941	-84.48
Other	13,264	249,520	75,000	(174,520)	234,594	75,000	(159,594)	465.44
TOTAL FUNDING	\$8,736,399	\$7,353,919	\$8,318,457	\$ 964,538	\$7,333,144	\$8,338,944	\$1,005,800	-4.78

Budget: The fiscal 1988 budget decreases by 4.78 percent and enrollment declines by 109 FTE or 6.57 percent from fiscal 1986. Instruction and support program costs decrease because of the decrease in student FTE and the decreased funding level. Plant program costs increase by 21.44 percent due to inflation, an adjustment to meet maintenance needs, and adjustments for new space. Scholarships decline by \$91,879 because enrollment decreases, non-resident enrollment declines, and fiscal 1986 expenditures exceeded the appropriated level by \$41,772.

Funding: General fund decreases by 3.28 percent between fiscal 1986 and fiscal 1988. Tuition revenues increase by 6.62 percent due to a tuition increase, and millage estimates decrease by 10.57 percent from fiscal 1986 to fiscal 1988. An adjustment in the indirect cost recovery from the Bureau of Mines decreases indirect cost reimbursement by \$240,000 and increases other revenue by \$60,000 between fiscal 1986 and fiscal 1988.





**GENERAL  
APPROPRIATIONS  
ACT OF 1987  
HOUSE BILL 2**



THE GENERAL APPROPRIATIONS ACT OF 1987 FOR THE APPROPRIATION OF MONEY TO VARIOUS STATE AGENCIES FOR THE BIENNIIUM ENDING JUNE 30, 1989; AND PROVIDING FISCAL 1987 SUPPLEMENTAL APPROPRIATIONS TO FUND IMPLEMENTATION COSTS OF LEGISLATION ENACTED BY THE 50TH LEGISLATURE.

Be it enacted by the Legislature of the State of Montana:

Section 1. Title. This act may be cited as "The General Appropriations Act of 1987".

Section 2. Definitions. For the purposes of this act, unless otherwise stated, the following definitions apply:

(1) "Agency" means each state office, department, division, board, commission, council, committee, institution, university unit, or other entity or instrumentality of the executive branch, office of the judicial branch, or office of the legislative branch of state government.

(2) "Approving authority" means the governor or his designated representative for executive branch agencies; the chief justice of the supreme court for judicial branch agencies; appropriate legislative committees for legislative branch agencies; or the board of regents or its designated representative for the university system.

(3) "University system unit" means the board of regents, office of the commissioner of higher education, university of Montana at Missoula, Montana state university at Bozeman, Montana college of mineral science and technology at Butte, eastern Montana college at Billings, northern Montana college at Havre, western Montana college at Dillon, the agricultural experiment station with central offices at Bozeman, the cooperative extension service with central offices at Bozeman, the forestry and conservation experiment station with central offices at Missoula, or the bureau of mines and geology with central offices at Butte.

Section 3. Other funds to offset general fund. The approving authority shall decrease the general fund appropriation of the agency by the amount of funds received from other sources in excess of the appropriation provided in this act unless such action is expressly contrary to state or federal law, rule, or contract or unless the approving authority certifies that the services to be funded by the additional funds are significantly different from those for which the agency has received a general fund appropriation. If the general fund appropriation of an agency is decreased pursuant to this section, the appropriation for the fund in which excess funds are received is increased in the same amount as the general fund is decreased.

Section 4. Expenditure limit. Expenditures may not exceed appropriations.

Section 5. Budget requests. (1) Sufficient funds are appropriated in this act to enable each agency to submit its 1991 biennial budget request to the budget director and the legislative fiscal analyst pursuant to the time schedule established in 17-7-112(1). If any agency fails to submit its final, complete budget request by the deadlines established in 17-7-112(1), the expenditure authority granted in this act must be reduced or rescinded by the budget director unless the agency director certifies that an emergency situation has precluded a timely budget presentation and the budget director approves an extension of the deadlines, not to exceed 30 days.

(2) Employees added through the appropriation of federal or state special revenues or proprietary funds in this act may not be included in the current level budget presented to the 1989 legislature if their continued employment requires general fund support.

Section 6. Detailed budget information. Within 2 days after submission of the preliminary executive budget to the legislative fiscal analyst, the budget director shall give the legislative fiscal analyst the preliminary expenditure recommendations by object of expenditure to the second level of detail and by funding source detailed by accounting entity. Within 1 day after the legislative finance committee presents the budget analysis to the 51st legislature, the budget director and the legislative fiscal analyst shall mutually exchange expenditure recommendations by object of expenditure to the second level of detail and by funding sources detailed by accounting entity. This final information must be filed in the respective offices and available to members of the legislature and the general public.

Section 7. Operating budget. (1) Expenditures by a state agency must be made in substantial compliance with an operating budget approved by an approving authority as defined in 17-7-401. Substantial compliance means that no category in the approved operating budget may be exceeded by more than 5%. Appropriations are contingent upon approval of the operating budget by August 1 of each fiscal year. An approved original operating budget must comply with



legislative intent as expressed in state law and legislative statements of intent. Legislative intent for the general appropriations act includes a formally adopted narrative that accompanies the act.

(2) Each operating budget must include expenditures for each agency program, detailed at least by the categories of personal services, operating expenses, equipment, benefits and claims, grants, transfers, and local assistance. Each agency shall record its operating budget and any approved changes on the statewide budget and accounting system. Forms used for changing an operating budget must reference the current fully completed and approved operating budget, show the proposed changes to the operating budget, and reference any other pending documents to change the operating budget.

Section 8. Program transfers. Unless prohibited by this act or by statute, the approving authority may approve agency requests to transfer appropriations between programs within each fund type within each fiscal year. The transfer amount may not exceed 5% of the total agency appropriation. All program transfers must be completed within the same fund from where the transfer originated. A request for a transfer accompanied by a justification explaining the reason for the transfer must be submitted by the requesting agency to the approving authority and the legislative fiscal analyst. Upon approval of the transfer, the approving authority shall inform the fiscal analyst of the approved transfer and the justification for the transfer.

Section 9. Reduction of appropriation. In the event of a shortfall in revenue, the governor may reduce any or all appropriations. No appropriation may be reduced by more than 15%. The following appropriations may not be reduced:

- (1) payment of interest and retirement of state debt;
- (2) the legislative branch;
- (3) the judicial branch;
- (4) school foundation program, including special education; or
- (5) salaries of elected officials during their terms of office.

Section 10. Plans for coordinating services. (1) Prior to using money appropriated in this act for grants or contracts for services to individuals, after January 1, 1988, all executive departments, including the department of social and rehabilitation services, the department of health and environmental sciences, the department of family services, the department of institutions, and the department of labor and industry, shall develop written plans for coordinating the services with similar services provided by other programs within the department or by other agencies.

(2) The plans must be prepared with an emphasis on reducing the amount of grant or contract money used for administrative costs and maximizing the amount of money used for benefits to individuals.

(3) The plans must be presented to the legislative finance committee before implementation.

Section 11. Access to records of contracting entities. (1) Unless a contract made with a nonstate entity complies with subsection (2), no money appropriated by this act may be expended for such contract. Such contract to provide a service to members of the public on behalf of the state may be either written or oral.

(2) A contract described in subsection (1) must contain a provision to allow access, for legislative audit and fiscal analysis, to the records of the contracting nonstate entity sufficient to determine whether the parties to the contract have complied with the terms of the contract. Such an audit and fiscal analysis require access to records necessary to carry out the legislative audit and analysis functions set out in Title 5, chapters 12 and 13.

(3) The state may unilaterally terminate any contract upon refusal by the contracting nonstate entity to allow access to its records necessary to carry out such a legislative audit or analysis.

Section 12. Coal tax trust income. Interest income from the coal tax constitutional trust fund established under Article IX, section 5, of the Montana constitution is hereby appropriated to the general fund for use during the biennium ending June 30, 1989. The portion of the general fund that represents this appropriation is appropriated to the department of commerce, the vocational-technical centers, and the university system.

Section 13. Severability. If any section, subsection, sentence, clause, or phrase of this act is for any reason held unconstitutional, such decision does not affect the validity of the remaining portions of this act.

Section 14. Audit costs. Amounts appropriated for audits may be transferred between fiscal years. Agencies shall reserve enough cash in each fund to pay for audit costs and shall to the maximum extent allowable under federal regulations charge audit costs to federal funds.

Section 15. Fiscal 1987 supplemental appropriations. There is appropriated from the local impact and education trust fund account the following amounts for fiscal 1987 to implement Senate Bill 200:

(1) department of revenue, property assessment division, \$89,055;

(2) department of justice, motor vehicle registrar, \$53,000.

Section 16. Totals not appropriations. The totals shown in this act are for informational purposes only and are not appropriations.

Section 17. Appropriations. The following money is appropriated for the respective fiscal years:

#### A. GENERAL GOVERNMENT AND HIGHWAYS

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
LEGISLATIVE AUDITOR						
1. Operations		936,807				
1.111,141						
2. Lottery Audit		74,256				
74,256						
3. Telephone Audit						
8,000						
4. Sunrise Audits						
39,000						
Total	1,111,141	1,011,063		1,102,793	1,064,400	
2,047,948						
2,066,737						
53,456						
8,000						
39,000						

Except for issuers of general obligation bonds that are payable solely by general fund revenues, each state bond issuer shall, upon issuance of the bonds, pay 30 cents per thousand of bonds, to be deposited in the state general fund for the purpose of funding a portion of the comprehensive annual financial report audit.

LEGISLATIVE FISCAL ANALYST						
1. Operations						
712,552						
2. Consultants						
20,000						
712,552						
788,773						
Total	732,552			788,773		
788,773						

Item 2 is a biennial appropriation.

LEGISLATIVE COUNCIL						
1. Operations						
1,574,430						
2. Montana Code Annotated						
1,940,593						
1,940,593						

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
a. Operations						
b. Transfer to General Fund						
	775,391			775,391		
	200,000			200,000		
3. NCSL Dues						
4. CSG Dues	22,561			22,561		
5. NCSL and CSG Travel	20,150			20,150		
6. Interim Studies	30,000			30,000		
7. Forestry Task Force	20,000			20,000		
8. Revenue Oversight Committee	8,000			8,000		
9. Administrative Code Committee	30,000			30,000		
10. Five-State Biennial Conference	14,000			14,000		
11. Statewide Issues	4,100			4,100		
12. Coal Tax Subcommittee	20,000			20,000		
13. Montana-Western Canadian Provinces Boundary Advisory Committee	12,000			12,000		
	2,000			2,000		
Total	1,745,241	987,391		2,732,632	1,985,204	
Items 2a and 5 through 13 are biennial appropriations.						
Item 2b is to be transferred to the general fund.						
CONSUMER COUNSEL						
1. Operations						
2. Contract Services	745,716			745,716		
	100,000			100,000		
Total	845,716			845,716		
Item 2 is for expert witness fees for unanticipated cases.						
ENVIRONMENTAL QUALITY COUNCIL						
1. EQC Program						
2. Water Policy Committee	243,618			243,618		
	101,200			101,200		
Total						



	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
	243,618	101,200		239,609		
				344,818		
Item 2 is a biennial appropriation.						
JUDICIARY						
1. Supreme Court Operations						
a. Operations						
1,314,812				1,314,812		
b. Audit						
15,466				15,466		
2. Boards and Commissions						
181,719				181,719		
3. Law Library						
511,307		18,075	40,963	502,114	18,075	
4. District Court Operations						
2,239,909				2,239,909		
5. Water Courts						
469,581				469,581		
Total						
4,263,213	487,656	40,963		4,791,832	4,241,703	4,729,442

GOVERNOR'S OFFICE						
1. Executive Office Program						
a. Operations						
911,841		121,613		910,838		121,619
b. Audit						
12,889				12,889		
c. Contingency Funds						
25,000				25,000		
d. Uniform State Laws Commission						
8,190				8,190		
2. Mansion Maintenance						
60,639				61,602		
3. Air Transportation						
95,748				99,224		
4. Office of Budget and Program Planning						
a. Operations						
653,373				653,373		
b. Audit						
18,044				18,044		
5. Pacific Northwest Electric Power and Conservation Planning Council						
317,038				317,038		
6. Lieutenant Governor						
201,238				201,238		
7. Citizens' Advocate Office						
47,627				47,627		
8. Board of Visitors						
129,279				129,279		
9. Montana Statehood Centennial Office						
1,500,000				1,500,000		
Total						

Fiscal 1988				Fiscal 1989			
General Fund	State Special Revenue	Federal Special Revenue	Total	General Fund	State Special Revenue	Federal Special Revenue	Total

2,163,868	1,590,000	438,651	4,192,519	2,166,936	1,590,000	438,774	4,195,710
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Any amount remaining in the proprietary fund account in the office of budget and program planning at fiscal year end 1987 collected for the payment of the statewide audit must be transferred to the general fund to partially fund the statewide audit in the legislative auditor's office in the 1989 biennium.

Item 1c is a biennial appropriation.

Item 1d is for expenses related to membership in the uniform state laws commission.

The office of budget and program planning may establish transfer appropriations for vocational-technical centers and university units within the appropriate agency distribution program. This provision is to allow compliance with proper accounting of current unrestricted operations using the CUBA fund structure at individual units of education.

SECRETARY OF STATE

1. Records Management							
a. Operations	510,157	383,930	894,087	521,931	379,136		901,067
b. Audit	8,900		8,900				
2. Administrative Code							
a. Operations	190,850		190,850		153,095		153,095
b. Audit	2,700		2,700				
Total	519,057	577,480	1,096,537	521,931	532,231		1,054,162

COMMISSIONER OF POLITICAL PRACTICES

1. Administration	100,249	800	101,049	100,063	4,800		104,863
2. Audit	2,062		2,062				
Total	102,311	800	103,111	100,063	4,800		104,863

The commissioner of political practices is to charge a fee for the Summary of Contributions/Expenditures for Candidates/Committees booklet that is sufficient to recover the costs of printing and distribution of the booklet. Public libraries are exempt from the charge for the books. The proceeds from the sale of the booklet as well as the expenditures for the printing and distribution of the booklet must be accounted for in the state special revenue account already established for the purpose of collecting fees for reimbursement of copier charges. The amount appropriated for the cost of the booklet is \$4,000 in fiscal 1989 only.

STATE AUDITOR

1. Central Management Division							
a. Operations	238,271		238,271	238,039			238,039
b. Audit	2,832		2,832				
2. Audit Division							
a. Operations							

Fiscal 1988				Fiscal 1989			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue
563,930	421,841			985,771	546,115	430,584	
b. Audit							
24,119	19,333			43,452			
c. Warrant Writing System Replacement				199,250			
199,250							
3. Insurance Division							
a. Operations	696,740			696,740		694,064	
b. Audit		8,107		8,107			
c. Added Personnel for Insurance Regulation		116,127		116,127		112,442	
4. Securities Division							
a. Operations	283,759			283,759		278,514	
b. Audit		2,835		2,835			
Total				2,577,144	784,154	1,515,604	
1,028,402							2,299,758

Item 2c is a biennial appropriation.

Item 3c may be expended only if House Bill 372 passes.

#### DEPARTMENT OF JUSTICE

1. Legal Services									
a. Operations	22,035			791,188	765,685	21,890			787,575
b. Case-Related Travel	9,500			9,500	9,500				9,500
2. Indian Legal Jurisdiction									
a. Operations				65,579	65,657				65,657
b. Legal Fees and Expert Witness				100,000					
3. County Prosecutor Services				135,181	135,334				135,334
4. Agency Legal Services			492,562	492,562				493,454	493,454
5. Driver Licensing Program									
a. Operations	390,407	275,000		2,563,378	1,756,674	521,153	145,000		2,422,827
b. Commercial Vehicle Operator Licensing	55,900			55,900		129,800			129,800
6. Highway Patrol									
a. Uniformed	8,709,992	191,500		8,901,492		8,802,922	191,500		8,994,422
b. Nonuniformed	305,803			305,803		305,561			305,561
c. Cadets	81,851			81,851		81,734			81,734
d. MCSAP	71,633	432,211		503,844		61,333	391,011		452,344



	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
e. Communications Bureau						
7. Vehicle Registration	484,367			483,702		
a. Operations		1,931,923		1,976,472		
b. Renewal Notices	88,000			88,000		
c. Administration -- Senate Bill 200	60,000				60,000	
8. Law Enforcement Services Administration	78,662			77,884		
9. County Attorney Payroll	924,317			937,463		
10. Law Enforcement Academy						
a. Operations	622,291			628,272		
b. Training Handguns	3,500					
c. Additional Basic Course				15,984		
11. Fire Marshal						
12. Identification Program	318,327			319,335		
13. Criminal Investigators	236,734			233,088		
14. Criminal Investigation -- Coal Board	180,805		116,616			
15. Central Services	145,864		649,832	129,136		680,044
a. Operations	343,981			344,299		
b. Audit	7,983		1,597	11,826		
16. Data Processing Program	891,851		578	888,503		
17. Extradition and Transfer of Prisoners	147,321			147,337		
18. Forensic Science Division						
a. Operations	777,799			772,600		
b. Equipment -- Chromatographs/Fume Hoods	38,000					
Total	5,215,514	14,628,819	1,752,756	4,957,783	14,918,888	1,569,903
Items 2b, 10b, 15b, and 18b are biennial appropriations.						
Total					493,454	21,940,028

Item 6e is to operate the regional dispatch centers. The department of justice shall develop a cost allocation plan for the purpose of recovering the operational cost of regional dispatch centers from all user agencies on an equitable basis and shall submit the funding plan to the 51st legislature within the department's 1991 biennium budget request. It is the intent that after fiscal 1989 the state special highway revenue account be reimbursed for services provided to user agencies that are not funded by the state special highway revenue account.

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
The department shall purchase the modular facilities in Bozeman that currently house the Montana law enforcement academy. For the purpose of purchasing such facilities, the department is authorized to expend funds appropriated in item 10a.						

The source of funding in item 7c is the local impact and education trust fund account.

#### HIGHWAY TRAFFIC SAFETY

1. Operations	70,818	1,104,550		1,175,368	72,000	1,103,942
2. Audit	1,182	1,182		2,364		

#### Total

	72,000	1,105,732		1,177,732	72,000	1,103,942
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#### BOARD OF CRIME CONTROL

1. Operations	412,791	102,550	146,065	661,406	411,834	152,136
2. Audit	7,951		1,571	9,522		
3. Juvenile Justice Pass-Through Grants			142,500	142,500		142,500
4. Bureau of Justice Assistance Pass-Through Grants			396,000	396,000		396,000
5. Victims' Assistance Pass-Through Grants			224,000	224,000		224,000
6. Drug Enforcement/Education Pass-Through Grants			1,150,463	1,150,463		1,182,015
7. Crime Victims' Compensation	380,245	129,000		509,245	380,582	136,000

#### Total

	420,742	482,795	2,189,599	3,093,136	411,834	2,232,651
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Items 2 through 6 are biennial appropriations.

All remaining appropriation authority for the 1987 biennium federal pass-through grant authority is authorized to continue into fiscal 1988 and fiscal 1989.

Item 7 may be expended only if House Bill 309 passes.

The board of crime control is to charge tuition and fees for the juvenile training program appropriated in item 1 each year. The tuition and fees collected as well as charges for related expenditures are to be deposited into a state special revenue account.

#### DEPARTMENT OF REVENUE

1. Director's Office						
a. Operations	315,151	81,658		396,809	316,648	80,365
b. Audit	77,950	14,848		123,730		
c. Legal Bureau	219,734			267,604	219,049	48,600

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
2. Centralized Services						
880,546		6,600		886,766		6,600
3. Data Processing Division						
1,005,278				1,007,144		
4. Investigations and Enforcement Division		419,408		1,424,686		
a. Administration						
50,397		18,712		124,746		
b. Investigations Program						
31,509		250,637		642,559		
c. Child Support Enforcement						
499,750		1,130,102		1,629,852		
5. Income and Miscellaneous Tax Division						
3,079,363		82,884		3,162,247		
6. Natural Resources and Corporation Tax Division						
1,106,908		122,128		1,286,084		
7. Property Assessment Division						
a. Elected Assessors						
769,479				769,479		
b. Appraisers and Nonelected Assessors						
8,472,371				8,472,371		
c. Property Assessment -- Helena						
i. Operations						
362,527				362,527		
ii. Railroad Appraisal						
60,000				60,000		
d. Property Assessment -- Administration						
551,651				551,651		
e. Property Assessment -- House Bill 436						
500,789						
8. Motor Fuels Tax Division						
710,785				710,785		
Total						
17,482,614	1,177,951	1,444,152	767,559	20,872,276	17,511,147	1,171,994
						1,955,688
						739,370
						21,378,199

Funds for resource indemnity trust projects approved by the 50th legislature in other state agencies are appropriated for transfer purposes to the extent that these funds are available.

Liquor division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor operation are appropriated. During the 1989 biennium, the division shall attempt to return at least 10% of net sales. Net sales are gross sales less discounts and all taxes collected. The division shall limit operational expenses of the liquor merchandising system to not more than 15% of net sales. Operational expenses may not include product costs, freight charges, or expenses allocable to other divisions or licensing bureau expenses.

Item 7ciii is an appropriation to deal with legal issues arising under federal nondiscriminatory taxation acts such as the Tax Equity and Fiscal Responsibility Act, the Railroad Revitalization and Regulatory Reform Act, and any subsequent federal legislation that directs the state to take a nondiscriminatory posture in the taxation of entities doing business within the state. This appropriation may be used only for attorney fees, expert witnesses, and extraordinary expenses associated solely with resolving disputes related to such legal issues.

The source of funding in item 7e is the local impact and education trust fund account.

For the purposes of implementing Senate Bill 200, there may be no more than 36 FTE in fiscal 1988 and 34 FTE in fiscal 1989.



	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
DEPARTMENT OF ADMINISTRATION						
1. Director's Office						
254,147						
2. Governor-Elect Program						
		49,076		255,153	48,689	303,842
3. Accounting Division						
a. Operations				5,000		5,000
b. Audit						
19,333						
4. Architecture and Engineering Division						
a. Operations		560,472		828,075		828,075
559,040						
b. Audit					562,400	1,124,800
1,432						
5. Publications and Graphics Division						
a. Purchasing and Print Coordinator		2,033,844			2,034,093	2,034,093
2,033,844						
b. Operations Program		1,129,984			1,399,877	1,399,877
1,129,984						
c. Administration Program						
i. Operations		691,682			712,883	712,883
691,682						
ii. Audit		8,907				
8,907						
6. Information Services Division						
a. Resource Management Administration Program						
i. Operations		280,637			281,127	281,127
280,637						
ii. Audit						
		35,449				
b. Central Computer Operations Program		5,801,217			5,688,025	5,688,025
5,801,217						
c. Information Center Program		447,458			447,969	447,969
447,458						
d. Systems Development Program						
i. Operations		959,913			960,067	960,067
959,913						
ii. Contract Programming		200,000				
200,000						
e. Telecommunications						
i. Operations		7,879,201			7,960,693	7,960,693
7,879,201						
ii. Audit		15,755				
15,755						
f. 911 Emergency Service		76,671			76,671	76,671
76,671						
7. General Services Division						
a. Operations		3,115,355		366,033	3,227,877	3,593,910
353,281						
b. Audit		6,722				
6,722						
c. Security						
55,043				54,963		54,963
55,043						

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
8. Purchasing Division						
a. Purchasing Bureau	403,942			404,406		
b. Property and Supply Bureau						
i. Operations		2,872,774	2,872,774		2,873,757	2,873,757
ii. Audit		7,418	7,418			
9. Mail and Management Program						
a. Operations		1,127,863	1,127,863		1,226,129	1,226,129
b. Audit		2,623	2,623			
10. Treasury Central Services Division						
a. Operations		30,964	438,740	408,266	30,909	439,175
b. Audit			10,126			
11. Tort Claims Division						
a. Operations		2,194,094	2,194,094		2,171,525	2,171,525
b. Audit		2,663	2,663			
12. Personnel Division						
a. Personnel Program			871,753	872,040		872,040
b. Group Benefits Program						
i. Operations		255,975	287,505	34,030	254,942	288,972
ii. Audit		510	510			
iii. Genetics		11,804	11,804		11,804	11,804
c. Training Program						
i. Operations		145,456	180,028	34,544	145,512	180,056
ii. Audit		349	349			
13. Workers' Compensation Court						
a. Operations		277,864	277,864	277,679		277,679
b. Audit		842	842			
c. Moving Costs		8,155	8,155			
d. Building Rent		19,500	19,500		19,500	19,500
14. State Tax Appeal Board						
a. Operations			478,792	387,995		387,995
b. Manual Disparity Issue			33,750			
c. Hearings Officers			61,480			
15. Public Employees' Retirement Division						

	Fiscal 1988		Fiscal 1989	
	General Fund	State Special Revenue	State Special Revenue	Federal Special Revenue
a. Operations				
b. Audit				
16. Teachers' Retirement System				
a. Operations				
b. Audit				
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Total 3,857,082 866,833 31,137,057 35,860,972 3,650,505 859,579 31,226,816 35,736,900

The appropriation in item 4a in the proprietary column is appropriated from the capital projects fund.

Item 6dii is a biennial appropriation for contract programming.

The appropriation in item 7a in the proprietary column includes \$58,801 in fiscal 1988 and \$58,801 in fiscal 1989 from the capital projects fund.

Item 12biii is the state's contribution for the voluntary statewide genetics program.

Items 13c and 13d are for moving costs and building rent if the court is forced to move from its present location.

The amounts listed in items 15 and 16 are appropriated from the pension trust fund.

In item 7, the department may charge a maximum of \$2.97 per square foot in fiscal 1988 and \$3.08 per square foot in fiscal 1989. At the end of fiscal 1989, the maximum working capital the department may carry over is \$320,000.

The department may expend available self-insurance reserves and revenues to pay any deficit that may be incurred for property or liability insurance premiums due and payable through June 30, 1989.

Item 14b is a biennial appropriation to be used only for state tax appeal board expenses directly related to settlement of the "34 percent" or manual disparity issue.

Item 14c is a biennial appropriation to satisfy the provisions of Senate Bill 122, which authorizes the state tax appeal board to contract and use hearings officers.

Funds remaining in the capitol land grant account of the capital projects fund, after the appropriation has been met for the general services division of the department of administration, are appropriated to the long-range building debt service fund for the payment of principal and interest on bonds issued for public buildings at the capitol for executive, legislative, and judicial purposes, as outlined in section 12 of The Enabling Act. This appropriation is for the biennium ending June 30, 1989, and is not to exceed the annual debt service required on these bonds.

#### DEPARTMENT OF HIGHWAYS

1. Construction	58,742,869	85,241,460	143,984,329	61,094,015	86,791,294	147,885,309
2. General Operations						
a. Operations	5,321,330	1,606,694	6,928,024	5,208,734	1,555,856	6,764,590
b. Audit			61,865			
3. Preconstruction						
	5,459,612	8,838,599	14,298,211	4,357,716	6,953,804	11,311,520



	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
4. Service Revolving						
5. Maintenance						
		40,613,889			40,865,147	
6. Equipment		1,930,659			1,705,659	
7. Motor Pool						
8. Stores Inventory						
		13,602,298			13,672,810	
9. Gross Vehicle Weight Division						
		3,497,307			3,503,362	
Total						

129,229,829 95,686,753 16,498,027 241,414,609 130,407,443 95,300,954 16,465,568 242,173,965

In the event additional federal highway funds become available, additional spending authority and additional FTE may be requested through budget amendment.

Funding may be transferred among all programs, including stores inventory, to reflect personal services expenditures.

The department is appropriated \$15,023,916 in fiscal 1988 and \$26,476,461 in fiscal 1989 for a cash transfer from the highway state special revenue accounts to the highway reconstruction trust account.

The department of highways is directed to submit to the 1989 legislature a construction work plan for the 1991 biennium that is detailed by year and project. This work plan must specify, by road system or project area, proposed projects on which \$1 million or more would be spent during the 1991 biennium and an aggregate cost for projects with anticipated expenditures of less than \$1 million. Costs must be detailed by year and project.

The legislature anticipates that the equipment program will receive, by budget amendment, spending authority from the proprietary fund account if gasoline costs exceed \$1,519,802 in fiscal 1988 and \$1,571,409 in fiscal 1989 due to increases in gasoline prices greater than a 1% increase per gallon from fiscal 1986 to fiscal 1989.

The legislature anticipates that the motor pool will receive, by budget amendment, spending authority from the proprietary fund account if gasoline costs exceed \$131,684 in fiscal 1988 and \$136,169 in fiscal 1989 due to increases in gasoline prices greater than a 1% increase per gallon from fiscal 1986 to fiscal 1989.

The department may adjust appropriations in the construction and preconstruction programs between fiscal years and funding sources to reflect actual expenditures related to the projected work plan.

The internal service program may request a budget amendment for \$210,000 in fiscal 1988 or fiscal 1989 to overhaul the department's airplane.

The legislature anticipates that the maintenance division will receive, by budget amendment for each fiscal year of the 1989 biennium, spending authority for any funds in excess of \$292,840 in each fiscal year that it collects from damage situations.

#### DEPARTMENT OF MILITARY AFFAIRS

1. Administration Program						
a. Operations						
	166,816	10,101	176,917	170,627	10,145	180,772

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
b. Audit						
4,511						
2. Army National Guard						
848,274		883,124		868,498		895,004
3. Air National Guard						
119,185		1,173,214		125,671		1,204,677
4. Veterans' Affairs						
a. Operations						
449,104		30,000		445,638		30,000
b. Audit						
4,511						
5. Disaster Coordination						
a. Operations						
219,055		239,438		219,001		239,383
b. Audit						
3,265		3,265				
6. Emergency Management						
a. Operations						
		268,198				268,134
b. Audit						
		2,492				
7. Local Civil Defense Reimbursement						
2,000,000		2,000,000				2,000,000
Total						
1,814,721		4,609,832		1,829,435		4,647,343

#### TOTAL SECTION A

40,700,076	153,608,275	107,268,438	48,895,783	350,472,572	40,291,870	153,949,950	107,249,255	48,925,208	350,416,283
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#### B. HUMAN SERVICES

#### DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

1. Director's Division						
336,017		93,809				
2. Centralized Services Division						
a. Operations						
790,781		514,243		549,702		
b. Audit						
23,421						
c. Chemistry Lab Equipment						
83,300						
d. Microbiology Lab Equipment						
57,500						
e. Contingency Fund						
50,000						
f. AIDS Testing						
70,000						
3. Environmental Sciences						
a. Operations						
793,173		121,236		663,823		
b. Environmental Protection Fund						
100,000						

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
c. Local Board Inspection Fees						
		250,000			250,000	
4. Solid and Hazardous Waste Management						
a. Operations						
75,734	1,220,360	6,102,261		76,181	1,212,055	7,261,758
b. Pre-CERCLA and Emergency Hazardous Waste						
60,000						
5. Water Quality						
a. Operations						
394,988	96,620	1,368,386		394,158	100,320	1,350,658
b. Wellhead Protection						
66,667		200,000		66,667		200,000
6. Health Services and Medical Facilities Division						
353,823	47,019	202,081		353,775	47,025	202,008
7. Family/Maternal and Child Health						
30,635		11,726,980		31,013		11,998,964
8. Preventive Health						
223,645		827,624		223,707		812,776
9. Licensing and Certification						
368,558		514,618		367,630		513,418
10. Health Planning						
176,106				170,483		
Total	3,703,548	2,600,278	22,269,684	28,573,510	2,226,262	23,655,690
						29,469,973

The total appropriation for the department includes \$1,897,421 in fiscal 1988 and \$1,897,421 in fiscal 1989 from the maternal and child health block grant. To the extent revenues from the grant exceed these amounts, they must be distributed to the counties. The director of the department of health may distribute these revenues based upon identifiable needs. To the extent revenues from the grant are less than these amounts, distributions to the counties must be reduced.

The total appropriation for the department includes \$632,187 in fiscal 1988 and \$632,187 in fiscal 1989 from the preventive health block grant. To the extent revenues from the grant exceed these amounts, they must be distributed at the discretion of the director of the department of health based upon identifiable needs. To the extent revenues from the grant are less than these amounts, the director of the department of health shall make program reductions.

If federal revenues exceed the amounts budgeted, the department may submit a budget amendment to include additional federal spending authority unless specifically prohibited by legislative action.

State and federal funds appropriated in items 2 through 9 include internal transfers of indirect charges. The amount of indirect charges collected for internal use by the department in excess of \$390,000 in fiscal 1988 and \$390,000 in fiscal 1989 for current programs must cause a like reversion to the general fund.

Item 2a includes \$99,012 in fiscal 1988 and \$77,231 in fiscal 1989 of vital statistics income. To the extent revenues exceed these amounts, it must cause a like reversion to the general fund. To the extent the vital statistics fund balance exceeds \$10,000 at fiscal year ends 1988 and 1989, it must cause a like reversion to the general fund.

Item 2e is for supplies and materials and communications costs in excess of \$99,258 in fiscal 1988 and \$100,974 in fiscal 1989 in the microbiology and chemistry laboratories caused by additional reimbursable services.

General fund appropriated in item 9 is for operations of the licensing and certification bureau only. The department may transfer general fund into the licensing and certification bureau. No general fund may be transferred out of the licensing and certification bureau unless the governor requests general fund reductions of all state agencies.



	Fiscal 1988			General Fund	Fiscal 1989		
	State Special Revenue	Federal Special Revenue	Total		State Special Revenue	Federal Special Revenue	Total
Items 2c, 2d, 2e, 3b, and 4b are biennial appropriations.							
Item 2f is a biennial appropriation for AIDS testing only. If federal funds become available for laboratory testing of AIDS, it will cause a like reversion to the general fund.							
Item 3c is for license fees to pay local boards of health for inspections of food establishments, accommodations, and camping facilities. No funds may be transferred out of this item. If the authority is inadequate to reimburse local boards, a budget amendment may be requested.							
DEPARTMENT OF LABOR AND INDUSTRY							
1. Employment Services Division							
a. Job Services	66,883	11,223,483	11,290,366		61,407	11,303,399	11,364,806
b. Unemployment Insurance		3,512,517	3,512,517			3,486,867	3,486,867
c. Centralized Services							
		2,403,349	2,403,349			2,380,650	2,380,650
d. Audit		58,946	58,946				
e. Job Training Partnership Act							
216,760		8,437,483	8,654,243	216,760		8,766,622	8,983,382
f. Employment Relations							
621,358	239,337	1,096,309	1,960,504	622,676	233,801	1,081,351	1,941,328
g. Employment Policy							
19,567		2,195,283	2,214,850			2,186,075	2,186,075
h. Human Rights							
216,042		96,000	312,042	213,377		96,000	309,377
i. Commissioner's Office							
		156,408	156,408			156,599	156,599
j. General Assistance							
1,427,722			1,427,722	1,427,633			1,427,633
k. AFDC Day Care							
90,909			90,909	109,091			109,091
l. New Horizons							
27,095			27,095	27,095			27,095
Total	2,619,453	306,220	26,561,075	2,616,632	295,208	26,920,314	32,372,903
2. Worker's Compensation							
a. Administration							
		1,574,318	33,100				
b. Audit							
		41,585	41,585		1,857,391	33,069	1,890,460
c. Legal Secretary							
		17,541	17,541		17,518		17,518
d. State Insurance Fund							
		3,604,890	3,604,890		3,669,794		3,669,794
e. Additional FTE							
		339,300	339,300		285,202		285,202
f. Insurance Compliance							
65,582		1,915,918	1,985,500	64,583	1,836,103		1,900,686
g. Safety							

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
	796,127	91,349	887,476	798,431	91,807	890,238

Total 69,582 8,289,679 124,449 8,483,710 64,583 8,464,439 124,876 8,653,898

Item 1a includes federal spending authority for current level operations of all existing job service offices. If federal funds are less than these amounts, the department may seek a budget amendment to supplement federal funds with state unemployment assessments as provided in 39-51-404(4).

Item 2c is for the 1989 biennium only.

The human rights division may ask for a budget amendment of federal funds received for case processing and related travel up to \$9,607 for fiscal 1988 and \$9,593 for fiscal 1989. Any federal funds received for case processing and related travel in excess of \$105,607 in fiscal 1988 and \$105,593 in fiscal 1989 shall cause a like reversion of general fund.

The department shall seek federal funds for general assistance training program activities. The department shall offset allowable general fund work training project expenses with federal funds received to administer such programs.

Item 1l is contingent upon passage and approval of House Bill 460. If House Bill 460 is not passed and approved, general fund in item 1e is reduced to \$125,000 in fiscal 1988 and \$125,000 in fiscal 1989.

#### DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

1. Assistance Payments						
a. Operations						
1,389,735	5,735,323	7,125,058	1,029,446	3,549,363	4,578,809	
b. Benefits						
i. Legal Services						
100,000		100,000	100,000		100,000	
ii. State General Assistance						
3,932,568		3,932,568	3,447,576		3,447,576	
iii. Nonresident General Relief						
180,000		180,000	180,000		180,000	
iv. Aid to Families With Dependent Children						
11,033,494		37,760,074	11,413,301	30,347,772	41,761,073	
v. Other Benefits						
305,804		14,441,515	307,361	14,444,518	14,751,879	

Total 16,941,601 46,597,614 63,539,215 16,477,684 48,341,653 64,819,337

2. Eligibility Determination						
2,235,057		8,385,001	2,234,149	6,147,799	8,381,948	
3. Administration and Support						
a. Operations						
1,202,227		2,886,229	1,196,115	1,676,205	2,872,320	
b. Legislative Audit						
51,315		118,530				

Total 1,253,542 1,751,217 3,004,759 1,196,115 1,676,205 2,872,320

	Fiscal 1988				Fiscal 1989			
	General Fund	State Special Revenue	Federal Special Revenue	Total	General Fund	State Special Revenue	Federal Special Revenue	Total
4. County Administration	934,967	338,380		1,273,347	918,972	338,604		1,257,576
5. Medical Assistance								
a. Operations	1,186,090	2,497,422		3,683,512	1,378,316	3,061,857		4,440,173
b. Benefits								
i. State Medical	6,000,000			6,000,000	6,000,000			6,000,000
ii. Medicaid - Waiver, Elderly	479,427	1,062,634		1,542,061	448,432	1,093,629		1,542,061
iii. Medicaid - Waiver, Disabled	420,539	932,111		1,352,650	393,350	959,300		1,352,650
iv. Medicaid - Institutions	4,299,820	9,530,415		13,830,235	4,175,138	10,182,283		14,357,421
v. Medicaid - Nursing Homes	14,800,705	32,805,295		47,606,000	14,119,794	34,435,206		48,555,000
vi. Medicaid - Primary Care	18,503,560	7,168,000		82,571,758	20,395,249	7,349,000	67,662,386	95,406,635
vii. Other Benefits	1,183,353	2,608,742		3,792,095	1,281,800	2,734,700		4,016,500
Total	46,873,494	7,168,000	106,336,817	160,378,311	48,192,079	7,349,000	120,129,361	175,670,440
6. Audit and Program Compliance	576,930	703,252		1,280,182	576,982	704,370		1,281,352
7. Vocational Rehabilitation								
a. Operations	379,528	83,445	1,553,031	2,016,004	378,574	78,213	1,548,456	2,005,243
b. Benefits	324,381	965,070	3,185,088	4,474,539	324,381	1,118,170	3,185,088	4,627,639
c. Supported Employment		947,080		947,080		845,517		845,517
Total	703,909	1,048,515	5,685,199	7,437,623	702,955	1,196,383	5,579,061	7,478,399
8. Disability Determination		2,384,632		2,384,632		2,377,937		2,377,937
9. Visual Services								
a. Operations	121,523	487,969		609,492	121,401	487,479		608,880
b. Benefits	153,749	270,518		424,267	153,749	270,518		424,267
Total	275,272	758,487		1,033,759	275,150	757,997		1,033,147
10. Developmental Disabilities								
a. Operations	279,841	917,890		1,197,731	280,458	908,722		1,189,180
b. Benefits								



	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
	<u>5,277,964</u>	<u>13,421,903</u>	<u>18,699,867</u>	<u>5,502,908</u>	<u>13,396,869</u>	<u>18,899,777</u>
Total	5,557,805	14,339,793	19,897,598	5,783,366	14,305,591	20,088,957
11. DDPAC						
a. Operations		203,596	203,596		121,976	121,976
b. Benefits		195,000	195,000		195,000	195,000
Total		398,596	398,596		316,976	316,976
TOTAL SRS	75,352,577	8,216,515	185,443,931	269,013,023	8,545,383	200,675,554
						285,578,389

In each fiscal year, 10% of the low income energy block grant must be transferred to the social services block grant. If the transfer is greater than \$1,103,548 in either fiscal year, a like amount of general fund must revert. Ten percent of the low income energy block grant must be used for the weatherization program in each fiscal year.

SRS is directed to implement a pilot percentage-of-income LIEAP project within the next biennium and report to the 51st legislature the feasibility of adopting such a system statewide.

Except for 5% in fiscal 1988 and 5% in fiscal 1989 that the department may use for administrative expenses, all other funds appropriated for the community services block grant must be allocated to the human resource development council's.

Funds appropriated under item 1bi are for a contract with the Montana legal services corporation to provide legal assistance to all general relief clients seeking eligibility for the federal supplemental security income program and to those current recipients of supplemental security income who have been notified of termination of benefits. The appropriation is intended to reduce the general assistance caseload by a minimum of 320 clients by the end of the 1989 biennium.

SRS shall make all changes in eligibility criteria allowed by Montana statute and federal regulations as are necessary to contain expenditures within the amount appropriated for aid to families with dependent children.

The department may not consider donated or nondepartmental contracted funds obtained by developmental disabilities providers when allocating or contracting state payments for developmental disabilities services.

No FTE or spending authority may be transferred out of the eligibility determination program or the disability determination program.

Item 3b is a biennial appropriation.

Transfer of funds may be made among items 1bi, 5bi, 5bv, and 5bvi. No funds may be transferred from these items to any other portion of the SRS budget.

No funds may be transferred out of item 5biv.

If collections of county mill levy funds from state-assumed counties exceed \$7,168,000 in fiscal 1988 and \$7,349,000 in fiscal 1989, excepting mill levy funds received from any county becoming state assumed after fiscal 1987, there must be a general fund reversion of an amount equal to the excess mill levy revenue.



General Fund	Fiscal 1988			Fiscal 1989		
	State Special Revenue	State Federal Special Revenue	Total	State Special Revenue	State Federal Special Revenue	Total
6. Beef and Pork Research and Marketing	2,058,015		2,058,015	2,078,118		2,078,118
7. Predatory Animal Control	75,000		75,000		75,000	75,000
8. Rabies Control	267,776		267,776	271,287		271,287
45,113	60,113		60,113	15,000		60,113

Total	606,942	3,566,156	95,000	4,268,098	610,262	3,579,203	95,000	4,284,465
DEPARTMENT OF AGRICULTURE								
1. Centralized Services								
a. Operations	594,830	71,526	30,226	939,140	252,481	588,609	46,535	916,834
b. Audit	21,911			21,911				
2. Hail Insurance			160,131	160,131				156,969
3. Wheat Research and Marketing			1,360,198	1,360,198				1,360,491
4. Environmental Management	613,583	153,544	184,554	951,687	612,823	142,615	243,830	999,268
5. Plant Industry	422,097	510,344	32,023	998,653	422,945	494,081	33,271	983,737
6. Agriculture Development Division	107,664	41,594	40,300	260,811	104,182	41,419	45,368	263,775

Total	1,408,711	1,300,312	1,688,601	294,899	4,692,531	1,392,431	1,266,724	1,729,827	292,142	4,681,124
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The program in item 3 is to promote both the development of markets for Montana wheat and barley and intensive scientific and practical research into all phases of wheat and barley culture, production, and use. The wheat research and marketing unit is attached to the department for administrative purposes only. The department director is an ex-officio member of the wheat research and marketing committee.

Within proprietary funds appropriated to the department are revenues received under the provisions of 80-2-221 for hail insurance and 80-2-103 for rural development. Amounts included are:

Fiscal 1988		Fiscal 1989	
Section 80-2-221, MCA	Item 1a	\$24,041	\$22,050
	Item 2	160,131	156,969
Section 80-2-103, MCA	Item 1a	6,185	6,759
	Item 6	71,253	72,874

The general fund loan authorized for the establishment of the beginning farm loan program in House Bill 447 of the 48th legislature is forgiven.



	Fiscal 1988			Total	Fiscal 1989			Total
	General Fund	State Special Revenue	Federal Special Revenue		General Fund	State Special Revenue	Federal Special Revenue	
DEPARTMENT OF STATE LANDS								
1. Central Management								
a. Operations	157,885	89,282	191,781	1,464,626	1,028,672	114,559	89,282	1,422,832
b. Audit	32,221			32,221				
2. Reclamation								
a. Operations	1,033,887	6,932,286	8,051,230	84,177	1,012,474	6,922,728		8,019,379
b. Hard-Rock Reclamation	100,000		100,000					
3. Land Administration	571,921		571,921	567,235				567,235
4. Resource Development	273,185		273,185			293,433		293,433
5. Forestry	5,245,065	1,245,692	1,713,849	8,204,606	5,154,352	1,259,453	1,654,861	8,068,666
Total	6,959,942	2,810,649	8,735,417	191,781	18,697,789	6,834,436	2,679,919	190,319
Item 2a contains a budget modification for three new hard-rock mining positions. If the number of hard-rock mining applications in May 1988 is less than the number in May 1987, the department shall eliminate one of the modified positions.								
Item 2b is a biennial appropriation. The funds appropriated in item 2b may not be used for any research activities.								
Item 5 contains \$3,440,190 in fiscal 1988 and \$3,443,679 in fiscal 1989 for pre-fire suppression costs.								
The department shall consolidate support functions by July 1, 1988. If any relocation costs are incurred in consolidating functions, they must be financed from the forestry division's fiscal 1988 appropriation. The department shall report to the 51st legislature on the fiscal savings of the consolidation.								
DEPARTMENT OF FISH, WILDLIFE, AND PARKS								
1. Centralized Services								
a. Operations	1,805,955	278,235	1,910,736	3,994,926	1,867,282	269,821	2,081,686	4,218,789
b. Audit	51,554			51,554				
c. Legislative Contract Authority	25,000			25,000		25,000		25,000
2. Field Services Division								
a. Operations	1,847,537	274,267	2,121,804		1,762,237	262,326		2,024,563
b. Legislative Contract Authority	45,000		45,000			45,000		45,000
c. Kalispell Regional Headquarters Rent	72,000		72,000					
3. Fisheries								
a. Operations	2,756,308	1,280,267	4,036,575		2,782,335	1,200,844		3,983,179
b. Legislative Contract Authority	920,000		920,000			920,000		920,000

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
4. Law Enforcement						
a. Operations	3,702,088	16,147		3,703,724	15,842	3,719,566
b. Legislative Contract Authority		138,474			138,790	138,790
5. Wildlife						
a. Operations	2,677,150	2,256,873		2,627,810	2,256,891	4,884,701
b. Legislative Contract Authority		1,165,000			1,165,000	1,165,000
c. Wildlife Habitat	3,600,000					
d. Pleasant Enhancement Program	987,000					
6. Parks Program	2,947,038	445,000		2,932,286	445,000	3,642,755
7. Conservation Education	1,111,104	139,525		1,088,942	139,525	1,228,467
8. Administration						
a. Operations	781,073	155,834		833,905	149,049	982,954
b. Legislative Contract Authority		25,000			25,000	25,000
Total	22,338,807	7,164,622	2,184,081	17,598,521	7,058,088	27,003,764

The appropriation for the legislative contract authority in items 1c, 2b, 3b, 4b, 5b, and 8b is subject to the following provisions:

1. Legislative contract authority applies only to federal and private funds.
2. Legislative contract authority expenditures must be reported on state accounting records. The records must be separate from current level operations.
3. A report must be submitted by the department to the legislative fiscal analyst following the end of each fiscal year of the biennium. The report must include the following:
  - a. a description of the additional services provided by each grant of federal or private funds;
  - b. an evaluation of the effectiveness of the additional services relating to each grant.

Items 1b, 2c, 5c, and 5d are biennial appropriations.

No funds may be used for lawsuits between state agencies in which the department is a plaintiff unless it has been approved by written consent of the governor.

The department shall not use funds in accounts created by 15-35-108 or 23-1-105 to acquire wildlife habitat.

#### DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

1. Centralized Services						
a. Operations	981,687	350,859	215,893	1,548,439	1,013,227	231,043
b. Audit						1,594,987

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
						<u>Total</u>
2. Oil and Gas						
a. Operations	30,933					
b. Microfilming		798,478			818,894	
c. Litigation		20,000				
c. Litigation		5,000				
3. Conservation Districts						
a. Operations		648,332	2,703		649,833	2,703
b. Streambank Reclamation		30,000				
4. Water Resources						
a. Operations						
2,234,629		2,099,976	69,675		2,075,592	69,675
b. State Water Projects		800,000				
c. Middle Creek		4,040,000				
d. Powder River Negotiations		35,500				
e. Poplar River Monitoring						
f. Reserved Water Rights Compact Commission						
5. Energy Division						
a. Operations						
438,152		1,274,512	1,056,319		1,273,399	993,871
b. Lake Broadway Mitigation		40,000			114,740	
c. Rock Creek Mitigation						
d. Chevron Oil Overcharge		1,650,000				
		15,500				
Total	3,815,935	6,177,540	7,090,090	17,083,565	3,845,998	5,283,174
					1,297,292	10,426,464

Items 2b, 2c, 4b, 4c, 4d, 5b, 5c, and 5d are biennial appropriations.

The department is authorized up to \$500,000 from the account established in 76-14-112 for rangeland loans during the 1989 biennium.

Item 3a contains \$220,000 for each year of the biennium for conservation district grants for distribution as specified in 76-15-530. Any funds reverted from unexpended grant funds are authorized for distribution as grants as specified in 76-15-530.

The energy division is authorized to spend up to \$40,000 it may receive from the Bonneville power administration for technical assistance and up to \$50,000 it may receive from the Montana power company for builder training, and such funds are appropriated for those purposes.

Of the funds appropriated in item 4a, not more than \$584,788 for each year of the biennium may be used for adjudication of pre-July 1, 1973, water rights.



	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
Enactment of House Bill 642 and House Bill 831 satisfies the emergency provisions of 17-7-403, and the department may request a budget amendment to spend the fees collected under the authority of the bills.						
DEPARTMENT OF COMMERCE						
1. Business Licensing and Regulation - Program Support		93,059		93,059	59,937	152,996
2. Weights and Measures Bureau				436,178		436,178
3. Financial Division				785,373		785,373
4. Milk Control Bureau				279,598		279,598
5. Professional and Occupational Licensing				1,835,579	706,154	2,541,733
6. Aeronautics Division				659,960	62,083	722,043
7. Transportation Division						
a. Operations	513,626	71,250	2,753,930	510,444	71,250	1,816,000
b. Rail Assistance			501,905			
8. Business Assistance				633,219	159,257	1,431,989
9. Montana Promotion				4,572,834		4,922,834
10. Housing Division						
11. Hard-Rock Mining Board						
a. Administration				103,633		103,633
b. Hard-Rock Mitigation and Arbitration				1,211,934		1,211,934
12. Coal Board				148,782		148,782
13. Community Development					5,446,515	5,660,510
14. Local Government Systems				213,995		
a. Administration						
b. District Court Reimbursement				86,208	166,857	253,065
c. County Planning						
15. Local Government Administration				311,000		311,000
16. Building Codes					98,233	98,233
17. Office of Economic Analysis				1,312,662		1,312,662
18. Local Government Audit Service				237,410		277,410
19. Indian Affairs Coordinator				43,546	975,234	1,018,780
20. Health Facility Authority				81,208		81,208

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
a. Operations						
b. Audit						
21. Montana Science and Technology Alliance						
a. Operations						
b. Seed Capital Program Operations						
22. Board of Housing						
23. Board of Investments						
a. Operations						
b. Audit						
c. Termination Pay						
24. Lottery						
a. Operations						
b. Audit						
25. Board of Horseracing						
26. Video Poker						
27. Director's Office Management Services						
a. Operations						
b. Audit						
Total						

4,666,141 14,053,964 19,782,351 30,570,832 69,073,288 4,732,206 13,785,514 18,324,820 30,537,647 67,380,187

Item 11b may be expended only for the purposes as detailed in 90-6-307, 90-6-311, 90-6-321, and 90-6-304(1). No transfers may be made in or out of item 11b.

The hard-rock mining board shall report to the legislature any expenditures from the hard-rock mitigation and arbitration account.

If the board of milk control receives a petition to establish a state pooling arrangement as a method of paying producer prices, the department may request a budget amendment for additional operating costs for holding hearings and establishing the pool. Receiving of such a petition is considered to be an emergency under the provisions of 17-7-403.

If a computerized adaptive testing program becomes mandatory in fiscal 1989, the board of nursing may request a budget amendment to cover the costs of implementing the program. If computerized adaptive testing becomes mandatory, this is considered an emergency under the provisions of 17-7-403.

The transportation division may request budget amendment authority to add a maximum of three FTE to be funded entirely with federal funds.

Item 7a includes no less than \$95,000 per year for costs associated with the McCarty Farms case.

Fiscal 1988				Fiscal 1989			
General Fund	State			General Fund	State		
	Special Revenue	Special Revenue	Federal		Special Revenue	Special Revenue	Federal
Total				Total			



	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
				Total	Proprietary	Total
3,629,593	1,000			3,630,593	3,640,609	1,000
ii. Equipment						
40,000				40,000		
b. Women's Corrections						
782,476				782,476	788,829	
c. Corrections Medical						
867,114				867,114	883,457	
d. Montana State Prison						
i. Care and Custody						
12,562,609	51,424			12,734,674	12,801,624	51,424
ii. Ranch and Dairy Operations						
				1,228,480		
iii. License Plate Factory Operations						
				484,321		
iv. Industries Operations						
				678,311		
v. Canteen Operations						
				600,000		
vi. Industries Training Operations						
173,015	36,496			431,090	163,881	
e. Swan River Forest Camp						
i. Operations						
837,854	86,383			963,139	848,631	
ii. Equipment						
				8,000		
5. Mental Health Division						
a. Central Office						
i. Operations						
4,108,977	1,249,805			5,358,782	4,108,940	
b. Montana Developmental Center						
i. Operations						
11,689,951	13,626			11,746,238	11,852,130	
ii. Equipment						
				50,000		
c. Center for the Aged						
i. General Operations						
2,627,888	9,735			2,647,623	2,649,528	
ii. Equipment						
25,000				25,000		
d. Eastmont						
i. General Operations						
2,229,779	4,000			2,233,779	2,248,146	
ii. Equipment						
10,000				10,000		
e. Veterans' Home						
i. General Operations						
542,000	20,764			2,199,537	552,504	
f. Montana State Hospital						
i. General Operations						
19,826,836	1,740,583			21,571,194	20,146,957	
6. Board of Pardons						
160,439				160,439	160,441	

Total

Fiscal 1988				Fiscal 1989			
General Fund	State		Total	General Fund	State		Total
	Special Revenue	Federal Revenue			Special Revenue	Federal Revenue	
160,441			160,439	160,441			160,441

Within item 4, transfers may be made between line items in excess of 5% of the total appropriation authority in each line item upon approval of the governor or his designated representative.

If the amounts billed and paid, including volume discount rebates, for the corrections division's workers' compensation costs are less than \$876,796 in fiscal 1988 and \$979,198 in fiscal 1989, the balance must revert to the appropriate fund.

Within item 5, transfers may be made between line items in excess of 5% of the total appropriation authority in each line item upon approval of the governor or his designated representative.

If the amounts billed and paid, including volume discount rebates, for the mental health division's workers' compensation costs are less than \$3,114,215 in fiscal 1988 and \$3,191,394 in fiscal 1989, the balance must revert to the appropriate fund.

Items 4a, 4c, 4e, 5b, 5c, and 5d are biennial appropriations.

The department is authorized to maintain a fund balance of not more than \$15,000 at the end of each fiscal year in the prison industries training proprietary account. Any funds in excess of \$15,000 in the proprietary account are subject to the provisions of section 3.

#### DEPARTMENT OF FAMILY SERVICES

1. Management Support							
a. Operations	257,092		697,982	463,954		269,062	733,016
b. Legislative Audit	16,794		45,600				
Total	273,886		743,582	463,954		269,062	733,016
2. Social Services							
a. Operations	2,326,796		9,247,467	6,920,120		2,326,593	9,246,713
b. Benefits	89,000	7,316,208	14,921,289	7,589,146	89,000	7,343,637	15,021,783
Total	89,000	9,643,004	24,168,756	14,509,266	89,000	9,670,230	24,268,496
3. Mountain View School							
a. Operations	15,982	107,846	1,854,818	1,747,299	14,982	107,950	1,870,231
b. Equipment			3,000				
Total	15,982	107,846	1,857,818	1,747,299	14,982	107,950	1,870,231
4. Pine Hills School							
a. Operations							

	Fiscal 1988				Fiscal 1989			
	General Fund	State Special Revenue	Federal Special Revenue	Total	General Fund	State Special Revenue	Federal Special Revenue	Total
2,833,740	59,169	525,722	3,418,631	2,858,834	59,260	525,722	3,443,816	
b. Equipment 2,000			2,000					
Total	2,835,740	59,169	525,722	3,420,631	2,858,834	59,260	525,722	3,443,816
5. Aftercare Services								
a. Operations	399,026	2,800	401,826	399,080		2,800	401,880	
b. Equipment 30,000			30,000					
Total	429,026	2,800	431,826	399,080		2,800	401,880	
6. Youth Evaluations	146,292		146,292	146,173			146,173	
Total	146,292		146,292	146,173			146,173	
Total	20,051,496	164,151	10,553,258	30,768,905	20,124,606	163,242	10,575,764	30,863,612
Items 3b, 4b, and 5b are biennial appropriations.								
Any third-party payments or reimbursement from any source received by the department to offset costs of the foster care program, in excess of \$350,000 in fiscal 1988 or \$350,000 in fiscal 1989, must cause a general fund reversion of an amount equal to the excess payments or reimbursement.								
The department may not consider donated or nondepartmental contracted funds obtained by foster care providers when allocating or contracting state payments for foster care services.								
If House Bill 460 is not passed and approved, general fund in item 2b is reduced to \$7,503,511 in fiscal 1988 and \$7,576,576 in fiscal 1989.								
MONTANA ARTS COUNCIL								
1. Administration	103,972	396,450	500,422	105,011		401,377	506,388	
2. Artists-in-the-Schools	15,143		15,143	15,143			15,143	
3. Audit	6,200	5,400	11,600					
Total	125,315	401,850	527,165	120,154		401,377	521,531	
MONTANA STATE LIBRARY								
. Reference and Information								



[illegible]

The amounts included in item 1 in the federal special revenue column represent Library Services and Construction funds that may be transferred between fiscal 1988 and 1989.

Amounts in item 3 represent a biennial appropriation.

[illegible][illegible]

### E. OTHER EDUCATION

BOARD OF PUBLIC EDUCATION  
1. Board Administration  
a. Operations

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
	104,834			104,755		104,755
b. Audit	2,578					
c. Interim Study on Adequacy and Cost of Accreditation Standards	47,100			50,725		50,725
Total	154,512			154,512		155,480
2. Fire Services Training School						
a. Operations		2,000		199,440	2,000	213,440
b. Audit	2,578			2,578		
Total	199,392	2,000		199,440	2,000	213,440
3. Montana School for the Deaf and Blind						
a. Administration	179,849			179,838		179,838
b. General Services	248,725			259,536		259,536
c. Student Services	686,096	35,000		691,805	35,000	726,805
d. Education	932,039	350,370		930,878	349,926	1,280,804
e. Audit	18,044			18,044		
Total	2,064,753	385,370		2,062,057	384,926	2,446,983

To the extent interest income collections from school trust lands exceed amounts appropriated of \$177,000 in fiscal 1988 and \$177,000 in fiscal 1989, there will be a dollar-for-dollar reversion of general fund.

#### OFFICE OF PUBLIC INSTRUCTION

1. Chief State School Officer	124,190	21,568		124,062	13,068	137,130
2. Basic Skills	853,468	237,905		855,549	237,944	1,216,144
3. Vocational Education	178,167	274,085		177,974	274,044	452,018
4. Administrative Services						
a. Operations	849,051	416,266	617,759	852,423	416,149	1,886,492
b. Audit	38,666					
5. Special Services						
a. Operations	131,488	1,332,804		131,388	1,332,392	1,463,780
b. Audiology						

Fiscal 1988			Fiscal 1989		
General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
310,200			310,200		
Total			Total		
2,485,230	654,171	2,368,730	5,508,131	2,451,596	654,093

State and federal funds appropriated in items 1 through 5 include internal transfers of indirect costs. The amount of indirect costs in excess of \$387,266 in fiscal 1988 and \$387,108 in fiscal 1989 that is recovered must cause a like reversion to the general fund.

The office of public instruction shall use its best efforts, including legal proceedings if necessary, to collect by June 30 county surplus revenues under 20-9-331 and 20-9-333.

Item 3 includes \$150,271 in fiscal 1988 and \$150,282 in fiscal 1989 of general fund and \$179,925 in fiscal 1988 and \$179,938 in fiscal 1989 of federal funds, contingent upon the board of regents contracting with the office of public instruction to administer and supervise K-12 vocational education programs, services, and activities in accordance with House Bill 39.

#### OFFICE OF PUBLIC INSTRUCTION -- DISTRIBUTION TO SCHOOLS

1. School Transportation	6,200,918	6,200,918	6,200,918
6,200,918			
2. School Lunch	594,751	594,751	594,751
594,751			
3. Gifted and Talented Grants	100,000	100,000	100,000
100,000			
4. Adult Basic Education	147,523	147,523	147,523
147,523			
5. Special Education	27,361,646	27,361,646	27,361,646
27,361,646			
6. Special Education Contingency	500,000	500,000	500,000
500,000			
7. State Impact Payments	5,000	5,000	5,000
5,000			
Total		34,909,838	34,909,838
34,762,315	147,523	113,701	

All revenues received in the state traffic education account under the provisions of 20-7-504 are appropriated to be distributed as provided in 20-7-506.

Item 6, a biennial appropriation, is for emergencies that may arise in special education programs in local districts. A district board of trustees may apply for an allocation from these funds by presenting to the superintendent of public instruction, for each child, a child-study team report and an individual education plan relating to this unforeseen expense and a current listing of program, caseloads, and related costs. The contingency appropriation is for the biennium, and the specific amounts may be transferred between fiscal years.

All revenues received under the provisions of 20-9-343 for state equalization aid are appropriated to the superintendent of public instruction for the biennium ending June 30, 1989, for public school support other than special education.

If House Bill 904 does not pass, there is appropriated from the general fund \$93,000,000 for the biennium ending June 30, 1989, to be used to the extent funds appropriated under the provisions of 20-9-343 are insufficient to finance the maximum general fund budget schedules for public schools, excluding special education.



	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
OFFICE OF PUBLIC INSTRUCTION -- DISCRETIONARY GRANTS						
1. Job Training Partnership			475,000			475,000
2. Vocational Education Grants			1,025,000			1,025,000
3. Adult Basic Education Grants			425,000			425,000
4. Education of the Handicapped -- Part B			450,000			400,000
5. Preschool Incentive Grants			150,000			110,000
Total			2,525,000			2,435,000

Items 1 through 5 are biennial appropriations.

Item 2 is contingent upon the board of regents contracting with the office of public instruction to administer and supervise K-12 vocational education programs, services, and activities in accordance with House Bill 39.

	Fiscal 1988		Fiscal 1989	
	General Fund	Current Unrestricted	General Fund	Current Unrestricted
BILLINGS VOCATIONAL-TECHNICAL CENTER				
1. Instruction	552,545	417,556	970,101	379,328
2. Plant Operation and Maintenance	146,541	119,898	266,439	123,839
3. Equipment	22,805	22,805	45,610	22,805
4. Support				
a. Operations	133,026	253,106	386,132	321,888
b. Audit	9,333	10,000	19,333	
Total	864,250	823,365	1,687,615	847,860

Total audit costs are estimated to be \$21,481 for the biennium. Ten percent of these costs are to be paid from funds other than those appropriated in items 1 through 4.

The current unrestricted funding for equipment in item 3 must come from federal funds.

BUTTE VOCATIONAL-TECHNICAL CENTER				
1. Instruction	563,073	238,747	801,820	206,555
2. Plant Operation and Maintenance	90,485	74,034	164,519	76,470
3. Equipment				

	Fiscal 1988		Total	Fiscal 1989		Total
	General Fund	Current Unrestricted		General Fund	Current Unrestricted	
4. Support						
a. Operations	21,432	21,432	42,864	21,432	21,432	42,864
b. Audit	218,767	131,488	350,255	174,982	175,303	350,285
	9,333	10,000	19,333			
	-----	-----	-----	-----	-----	-----

Total

903,090 475,701 1,378,791 885,143 479,760 1,364,903

Total audit costs are estimated to be \$21,481 for the biennium. Ten percent of these costs are to be paid from funds other than those appropriated in items 1 through 4.

The current unrestricted funding for equipment in item 3 must come from federal funds.

GREAT FALLS VOCATIONAL-TECHNICAL CENTER

1. Instruction	524,403	299,194	823,597	556,595	267,002	823,597
2. Plant Operation and Maintenance	98,030	83,507	181,537	102,197	87,057	189,254
3. Equipment	21,609	21,610	43,219	21,609	21,610	43,219
4. Support						
a. Operations	226,358	150,749	377,107	179,795	197,346	377,141
b. Audit	9,333	10,000	19,333			
	-----	-----	-----	-----	-----	-----

Total

879,733 565,060 1,444,793 860,196 573,015 1,433,211

Total audit costs are estimated to be \$21,481 for the biennium. Ten percent of these costs are to be paid from funds other than those appropriated in items 1 through 4.

The current unrestricted funding for equipment in item 3 must come from federal funds.

HELENA VOCATIONAL-TECHNICAL CENTER

1. Instruction	873,033	429,675	1,302,708	925,345	377,363	1,302,708
2. Plant Operation and Maintenance	172,168	140,864	313,032	176,183	144,150	320,333
3. Equipment	25,518	25,518	51,036	25,518	25,518	51,036
4. Support						
a. Operations	325,996	89,901	415,897	176,698	239,237	415,935
b. Audit	8,259	10,000	18,259			
	-----	-----	-----	-----	-----	-----

Total

1,404,974 695,958 2,100,932 1,303,744 786,268 2,090,012

Total audit costs are estimated to be \$21,481 for the biennium. Fifteen percent of these costs are to be paid from

	<u>General Fund</u>	<u>Fiscal 1988 Current Unrestricted</u>	<u>Total</u>	<u>General Fund</u>	<u>Fiscal 1989 Current Unrestricted</u>	<u>Total</u>
funds other than those appropriated in items 1 through 4.						
The current unrestricted funding for equipment in item 3 must come from federal funds.						
MISSOULA VOCATIONAL-TECHNICAL CENTER						
1. Instruction	689,752	470,411	1,160,163	736,028	424,135	1,160,163
2. Plant Operation and Maintenance	129,477	158,251	287,728	144,150	155,643	299,793
3. Equipment	24,355	24,355	48,710	24,355	24,355	48,710
4. Support						
a. Operations	155,351	265,727	421,078	295,110	126,007	421,117
b. Audit	8,259	10,000	18,259			
Total	1,007,194	928,744	1,935,938	1,199,643	730,140	1,929,783

Total audit costs are estimated to be \$21,481 for the biennium. Fifteen percent of these costs are to be paid from funds other than those appropriated in items 1 through 4.

The current unrestricted funding for equipment in item 3 must come from federal funds.

The commissioner of higher education may transfer county millage collections among centers. Millage received by the centers from the 1.5-mill levy that in the aggregate exceeds \$800,291 in fiscal 1988 and \$808,294 in fiscal 1989 must cause a general fund reversion of a like amount each year. Any voted millage funds available for the vocational-technical centers are appropriated.

If a vocational-technical center can provide matching funds for federal funds in excess of its share of the \$807,474 federal funds included in the current unrestricted funds each fiscal year of the biennium, then the center may request a budget amendment for the matching and federal funds to pay for the additional equipment, training, and programs. The matching funds for any budget amendment may not come from the current unrestricted funds appropriated in the general appropriations bill.

	<u>General Fund</u>	<u>Fiscal 1988 State Special Revenue</u>	<u>Fiscal 1988 Federal Special Revenue</u>	<u>Total</u>	<u>General Fund</u>	<u>Fiscal 1989 State Special Revenue</u>	<u>Fiscal 1989 Federal Special Revenue</u>	<u>Proprietary</u>	<u>Total</u>
STATE COUNCIL FOR VOCATIONAL EDUCATION									
1. Operations		116,907		116,907			120,000		120,000
2. Audit		3,093		3,093					
Total		120,000		120,000			120,000		120,000



	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
TOTAL SECTION E						
44,725,443	4,290,522	5,401,100	12,000	54,429,065	44,742,652	4,184,837
						5,302,001
						12,000
						54,241,490

NOTE: The total of state special revenues for section E includes the following amounts of current unrestricted funds:

Fiscal 1988	-----	\$3,488,828
Fiscal 1989	-----	\$3,417,043

#### F. HIGHER EDUCATION

All funds, other than plant funds and current unrestricted operating funds, may be spent and are appropriated contingent upon approval by the board of regents by July 1 of each year of the comprehensive program budget. The budget must contain detailed revenues and expenditures and anticipated fund balances of current funds, loan funds, and endowment funds. All movement of funds between the current unrestricted subfund and the designated subfund account entities must be clearly identified in the state budgeting and accounting system.

Programs for the university budgets include instruction, organized research, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarships and fellowships.

The six university units shall account for expenditures consistently within programs and funds across all units and shall use the national center for higher education management systems program classification structure along with the college and university business administration (CUBA) system as a minimum standard for achieving consistency.

Each year of the biennium, the portion of indirect cost reimbursements that exceeds the amount set forth in the current unrestricted operating subfund appropriation for each unit is appropriated to the respective unit. All indirect cost reimbursement not expended in the current unrestricted operating subfund account must be clearly identified and separately accounted for during the 1989 biennium. Each university system unit shall submit a written report to the legislative finance committee by October 14, 1988, of the activities supported and accomplishments achieved with all indirect cost reimbursements expended in funds other than the current unrestricted operating subfund for fiscal 1988.

Included within current unrestricted funds to the six institutions is the sum of \$12,864,200 in fiscal 1988 and \$12,906,000 in fiscal 1989 from revenues generated under the provisions of 20-25-423. The department of revenue shall levy the full 6 mills as authorized in 20-25-423. Revenues received by the university system under the provisions of 20-25-423 that exceed \$12,864,200 in fiscal 1988 and \$12,906,000 in fiscal 1989 must cause a general fund reversion of a like amount each year.

#### BOARD OF REGENTS

27,951	27,951	28,008	28,008
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#### COMMISSIONER OF HIGHER EDUCATION

1. Office Administration			
a. Operations	773,253	774,104	774,104
b. Audit	13,885		
2. Vocational-Technical Administration			
82,319	235,638	93,165	153,165
3. Vocational Education Grants			
2,325,000	2,325,000		2,325,000
4. WICHE Dues			
59,000	59,000	62,000	62,000
5. WICHE - Student Assistance			
1,161,470	1,785,634	1,436,131	150,537
			1,586,668

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
	Total	Proprietary	Total	Total	Proprietary	Total
6. WAMI						
1. 933,618			1,933,618	1,949,929	41,792	1,991,721
7. Minnesota Rural Dentistry						
90,400			90,400	69,000		69,000
8. State Student Incentive Grants						
210,000			420,000	210,000	210,000	420,000
9. National Direct Student Loan						
55,000			55,000	55,000		55,000
10. State College Work Study						
276,450			276,450	276,450		276,450
11. Carl D. Perkins Scholarships						
50,000			50,000		50,000	50,000
12. Education for Economic Security						
58,000			58,000		58,000	58,000
13. Talent Search						
a. Operations						
173,804			173,804		173,617	173,617
b. Audit						
550			550			
14. Guaranteed Student Loan						
a. Operations						
851,434			851,434		903,808	903,808
b. Audit						
2,578			2,578		2,578	2,578
15. University System Group Insurance						
			8,739,609	8,739,609	9,205,338	9,205,338

Total  
4,596

In each fiscal year, the commissioner of higher education is allowed to transfer appropriation authority between the amounts included in the WICHE appropriation for dentistry, which is \$120,534 in fiscal 1988 and \$122,668 in fiscal 1989, and the Minnesota rural dentistry appropriation.

General fund support of the family practice program does not extend beyond fiscal 1988.

		<u>General Fund</u>	<u>Fiscal 1988 Current Unrestricted</u>	<u>Total</u>	<u>General Fund</u>	<u>Fiscal 1989 Current Unrestricted</u>	<u>Total</u>
<b>COMMUNITY COLLEGES</b>							
1.	Dawson Community College						
a.	Operations	695,424		695,424	699,264		699,264
b.	Audit	8,640		8,640			
2.	Flathead Valley Community College						
a.	Operations	1,613,384		1,613,384	1,622,292		1,622,292
b.	Audit	8,640		8,640			
3.	Miles Community College						

	Fiscal 1988 Current Unrestricted	General Fund	Total	Fiscal 1989 Current Unrestricted	General Fund	Total
a. Operations						
b. Audit		716,286	716,286		720,242	720,242
		8,640	8,640			
Total		3,051,014	3,051,014		3,041,798	3,041,798

The above appropriation provides 48% of the total unrestricted budgets for the community colleges, which budgets must be approved by the board of regents.

The general fund appropriation for each community college includes 48% of the total audit cost. The remaining 52% of these costs are to be paid from funds other than those appropriated in items 1 through 3. Audit costs may not exceed \$18,000 for each unit for the biennium.

Dawson, Flathead Valley, and Miles community colleges are prohibited from including in student enrollment, used in calculating the unrestricted budget referred to in 20-15-310, student FTE from out-of-district centers not approved under board of regent Policy 220.1.

#### BUREAU OF MINES

##### 1. Research

	1,232,850	53,000	1,285,850	1,233,523	53,000	1,286,523
AGRICULTURAL EXPERIMENT STATION						
1. Agricultural Experiment Station	6,204,968	1,998,303	8,203,271	6,257,135	1,998,303	8,255,438
2. U.S. Range Laboratory		385,954	385,954		385,954	385,954

##### Total

	6,204,968	2,384,257	8,589,225	6,257,135	2,384,257	8,641,392
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General fund support for startup of the spring wheat breeding and biotechnology program at the agricultural experiment station is for the 1989 biennium only. Other funds will be required to continue the program beyond the 1989 biennium.

#### COOPERATIVE EXTENSION SERVICE

1. Public Service	1,866,964	1,829,268	3,696,232	1,868,436	1,829,268	3,697,704
2. Professional Retirement Benefit Increase	659,420		659,420	665,731		665,731

##### Total

	2,526,384	1,829,268	4,355,652	2,534,167	1,829,268	4,363,435
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The total money appropriated in item 2 may only be spent if a federal district or appellate court determines that cooperative extension service employees are federal employees within the meaning of Public Law 99-335. In the event these employees are not federal employees within the meaning of Public Law 99-335, up to \$221,300 in fiscal 1988 and up to \$277,611 in fiscal 1989 of the funds appropriated in item 2 may be spent for social security coverage and retirement benefits for 124 professional employees. There may be no transfers in or out of this item.

#### FOREST AND CONSERVATION EXPERIMENT STATION

##### 1. Research



	General Fund	Fiscal 1988 Current Unrestricted	Total	General Fund	Fiscal 1989 Current Unrestricted	Total
<b>UNIVERSITY FUNDING STUDY</b>						
1. Commissioner of Higher Education	643,535		643,535	644,954		644,954
2. Office of the Legislative Fiscal Analyst	15,000		15,000			
3. Office of Budget and Program Planning	130,000		130,000			
	5,000		5,000			
<p>The Montana legislature recognizes the need to review the adequacy of the current method for funding the university system. The study shall be conducted by an eight-member legislative committee comprised of four members appointed by house leadership and four members appointed by the senate committee on committees.</p> <p>The study shall be coordinated by the office of the legislative fiscal analyst in conjunction with the commissioner of higher education and active participation of the office of budget and program planning.</p> <p>The scope of the study will encompass a review of higher education expenditures and funding, and an analysis of the adequacy and consistency of the university financing.</p> <p>The study shall also address cost-effective methods of developing uniform personnel and class enrollment systems and consistent statewide budgeting and accounting system procedures and reports.</p> <p>Items 1, 2, and 3 are biennial appropriations.</p>						
<b>MONTANA STATE UNIVERSITY</b>						
1. Instruction						
a. Instruction Program	24,235,408		24,235,408	23,869,704		23,869,704
b. Architecture		130,000	130,000		130,000	130,000
c. Funding Level Increase	499,699		499,699	492,159		492,159
2. Research						
3. Public Service		597,925	597,925	597,925		597,925
4. Academic Support, Student Services, and Institutional Support		10,300	10,300		10,300	10,300
a. Support Program						
b. Funding Level Increase	1,385,215	10,485,747	11,870,962	1,454,267	10,221,100	11,675,367
c. Museum of the Rockies	131,900		131,900	259,453		259,453
5. Audit	100,000		100,000			
6. Operation and Maintenance of Physical Plant	23,021	20,800	43,821			
7. Scholarships and Fellowships	1,494,031	4,009,054	5,503,085	1,544,589	4,151,733	5,696,322
		1,125,273	1,125,273		1,106,723	1,106,723
Total	27,869,274	16,379,099	44,248,373	27,620,172	16,217,781	43,837,953
Total audit costs are estimated to be \$87,642 for the biennium. Fifty percent of these costs are to be paid from						

	Fiscal 1988		Fiscal 1989	
	General Fund	Current Unrestricted	General Fund	Current Unrestricted

funds other than those appropriated in items 1 through 7.

If gross actual nonresident incidental fee revenues, reduced by 18.45 percent for nonresident waivers, are less than \$1,631,995 for fiscal 1988 and less than \$1,605,092 for fiscal 1989, Montana state university may request a supplemental for the difference.

General fund support of the museum of the Rockies does not extend beyond the 1989 biennium. It is expected that private funds will replace general fund support beginning in the 1991 biennium. Item 4c is a biennial appropriation.

#### UNIVERSITY OF MONTANA

1. Instruction				
a. Instruction Program	18,586,558	18,586,558	18,645,270	18,645,270
b. Law Pharmacy		174,000		174,000
c. Funding Level Increase	383,228		384,439	384,439
2. Research				
3. Public Service		445,254	446,534	446,534
4. Academic Support, Student Services, and Institutional Support		195,892	195,904	195,904
a. Support Program	1,883,300	8,254,019	1,860,880	8,291,820
b. Funding Level Increase	112,637		225,615	225,615
5. Audit				
6. Operation and Maintenance of Physical Plant	22,932	19,600		
7. Scholarships and Fellowships	1,860,505	3,528,478	1,996,637	3,534,186
		983,741		985,218

#### Total

	22,849,160	13,600,984	23,112,841	13,627,662
		36,450,144		36,740,503

Total audit costs are estimated to be \$85,064 for the biennium. Fifty percent of these costs are to be paid from funds other than those appropriated in items 1 through 7.

If gross actual nonresident incidental fee revenues, reduced by 18.45 percent for nonresident waivers, are less than \$1,748,796 for fiscal 1988 and less than \$1,751,420 for fiscal 1989, the university of Montana may request a supplemental for the difference.

#### EASTERN MONTANA COLLEGE

1. Instruction				
a. Instruction Program	6,468,676	6,468,676	6,478,550	6,478,550
b. Funding Level Increase	133,375	133,375	133,579	133,579
2. Public Service				
3. Academic Support, Student Services, and Institutional Support		231,435	231,447	231,447
a. Support Program	850,296	3,207,247	875,888	3,180,518
b. Funding Level Increase		4,057,543		4,056,406

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
	<u>General</u>	<u>General</u>
	<u>Fund</u>	<u>Fund</u>
		<u>Unrestricted</u>
		<u>Total</u>
4. Audit	45,084	45,084
5. Operation and Maintenance of Physical Plant	22,932	42,532
6. Scholarships and Fellowships	882,641	886,232
	353,209	353,209
	-----	-----
Total	8,403,004	13,362,197

Total audit costs are estimated to be \$56,710 for the biennium. Twenty-five percent of these costs are to be paid from funds other than those appropriated in items 1 through 6.

NORTHERN MONTANA COLLEGE		
1. Instruction		
a. Instruction Program	4,190,393	4,266,713
b. Funding Level Increase	86,399	87,973
2. Public Service	8,891	8,891
3. Academic Support, Student Services, and Institutional Support		
a. Support Program	563,571	536,756
b. Funding Level Increase	23,606	47,990
4. Audit	22,399	34,799
5. Operation and Maintenance of Physical Plant	624,651	667,837
6. Scholarships and Fellowships	274,815	274,815
	-----	-----
Total	5,511,019	7,864,954

Total audit costs are estimated to be \$46,399 for the biennium. Twenty-five percent of these costs are to be paid from funds other than those appropriated in items 1 through 6.

WESTERN MONTANA COLLEGE		
1. Instruction		
a. Instruction Program	2,321,136	2,297,033
b. Funding Level Increase	47,858	47,361
2. Academic Support, Student Services, and Institutional Support		
a. Support Program	326,621	335,721
b. Funding Level Increase	12,832	25,356
3. Audit	22,332	25,356
4. Operation and Maintenance of Physical Plant	11,500	11,500
	-----	-----
Total	2,728,246	2,728,246



	Fiscal 1988		Total	Fiscal 1989		Total
	General Fund	Current Unrestricted		General Fund	Current Unrestricted	
5. Scholarships and Fellowships	353,701	381,476	735,177	342,802	407,728	750,530
	-----	83,472	83,472	-----	82,469	82,469
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Total

	3,084,480	1,304,694	4,389,174	3,048,273	1,295,495	4,343,768
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Total audit costs are estimated to be \$45,110 for the biennium. Twenty-five percent of these costs are to be paid from funds other than those appropriated in items 1 through 5.

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

1. Instruction						
a. Instruction Program	3,995,761		3,995,761	4,002,548		4,002,548
b. Funding Level Increase	82,387		82,387	82,526		82,526
2. Research					43,747	43,747
3. Academic Support, Student Services, and Institutional Support		43,718	43,718			
a. Support Program	574,728	1,755,233	2,329,961	588,412	1,741,604	2,330,016
b. Funding Level Increase	25,889		25,889	51,778		51,778
4. Audit		20,500	20,500			
5. Operation and Maintenance of Physical Plant	22,999		22,999			
6. Scholarships and Fellowships	683,568	911,485	1,595,053	677,252	948,888	1,626,140
	202,189		202,189	202,189		202,189
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Total

	5,385,332	2,933,125	8,318,457	5,402,516	2,936,428	8,338,944
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Total audit costs are estimated to be \$57,999 for the biennium. Twenty-five percent of these costs are to be paid from funds other than those appropriated in items 1 through 6.

	Fiscal 1988		Total	Fiscal 1989		Total
	General Fund	State Special Revenue		General Fund	State Special Revenue	
	-----	-----	-----	-----	-----	-----

TOTAL SECTION F

91,535,366	46,480,719	3,824,685	8,739,609	150,580,379	91,858,826	45,944,002	3,876,168	9,205,338	150,884,334
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NOTE: The total of state special revenues for section F includes the following amounts of current unrestricted funds:

Fiscal 1988	-----	\$45,797,555
Fiscal 1989	-----	\$45,689,673







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